

MERCY CORPS EUROPE GOVERNANCE HANDBOOK



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INTRODUCTION

Governance is defined as the systems and frameworks by which organisations are directed and controlled. It is concerned with standards, systems, processes, controls and decision-making at the heart of and at the highest levels of an organisation. It is about accountability.

This manual is written primarily for Board Members as well as senior team members and provides a one-stop source of guidance on all aspects of governance including the legislation and statutory guidance under which Mercy Corps

Europe operates, the roles and responsibilities of Board Members in fulfilling their duties, and the rules governing Board meetings. It also clearly outlines the responsibilities of Members, Directors and senior team members. Source documents referred to are listed at the end of the manual and are available for reference in the office.

The Governance Handbook is available on our website.

ABOUT MERCY CORPS

We are Mercy Corps

Mercy Corps is a global team of humanitarians who partner with communities, corporations and governments to transform lives around the world.

Our more than 5,500 team members work with people in the world’s most vulnerable communities across over 40 countries. 87 percent of our team is from the countries where they work.

We believe we must go beyond emergency aid to create more resilient communities and we believe communities are the best agents of their own change. This year as a global organisation, our work saved and improved the lives of nearly 29 million people.

Mercy Corps Europe exists to ensure effective stewardship and management of resources, raise income, build influence and demonstrate impact to contribute to the mission of the global organisation.

What We Do

We respond to crises and go beyond disaster response to help people in the most vulnerable communities. In the aftermath of every major natural disaster we have responded to since 2004, we’ve developed long-term local solutions to prepare communities for the future.

Over the last 39 years, we’ve been tackling the world’s toughest challenges in partnership with communities, governments and business, finding flexible and innovative solutions. As a global organisation, Mercy Corps has provided £4 billion in lifesaving assistance to more than 220 million people. That’s given us a deep understanding of the complex challenges facing our most vulnerable communities and the approaches required to overcome them.

While each and every community is unique, we are able to tap into a significant body of knowledge and expertise across our teams and the work we do in each country is informed by our partners there: local community members, government officials and other change makers who are invested in transforming their communities for good.

Mission

Mercy Corps exists to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities.

We partner with communities as they move from a place of fragility to resilience, meeting urgent needs while addressing root causes – always powered by the belief that a better world is possible.

Our core values

We believe in the intrinsic **value** and **dignity** of human life.

We are awed by human **resilience** and believe in the ability of all people to **thrive**, not just exist.

We believe that all people have the right to live in **peaceful communities** and **participate fully** in the decisions that affect their lives.

We value stewardship of the **earth's health**, pledging to accountably and efficiently preserve and manage its resources.

We believe that it is our duty to be effective stewards of the **financial resources** entrusted to us.

Vision

We believe that secure, productive and just communities emerge and endure when the private, public and civil society sectors interact with accountability, inclusive participation and mechanisms for peaceful change. Transformational change occurs through the combination of: programmatic impact, the ability to influence change makers at local and global levels and a restlessness to innovate in search of better solutions.

) GOVERNING PRINCIPLES AND LEGISLATION

Governance Structure

Mercy Corps – a World-Wide Organisation

Mercy Corps Europe is part of the world-wide organisation: **Mercy Corps**.

Mercy Corps and consists of:

- Mercy Corps Global (MCG), a US entity registered in Washington State and its field operations, including branches and local organisations (located in approximately 40 countries);
- Mercy Corps Europe (MCE), a UK entity with offices in Edinburgh and London;
- Mercy Corps Netherlands (MCNL), a Dutch entity with offices in The Hague and Geneva;
- Other affiliated entities of the global organisation¹.

Together MCE, MCG and MCNL share the same mission, vision, core values and charitable objectives. To enable us to function most effectively and efficiently as a global organisation, Mercy Corps **has a governance structure that reflects the integrated global agency.**

Our Compass provides an overview of Mercy Corps' vision, challenges and goals for the fiscal year. It presents our theory of change, explains the global challenges that drive our work and indicates our priority areas for the coming year. We have named our core strategic documents our 'Compass' because we see them as the key tool to help us navigate around the complexities of today's world as we strive to meet our mission. Our Compass is published on our website.

Mercy Corps Europe (MCE)

Mercy Corps Europe (MCE) is a Scottish registered charity (registration number SC030289) and is constituted as a company limited by guarantee (registration number SC208829). The objects of the company are the relief of poverty, the advancement of health, the advancement of community development, the saving of lives, the advancement of human rights, conflict resolution or reconciliation and the advancement of environmental protection

MCE is an independent legal entity with its own constitution as a company recognised as a Scottish Charity and registered with the Inland Revenue.

MCE produces separate annual accounts. Additionally since 2016, MCG produces audited consolidated accounts that include MCE and MCNL.

Mercy Corps Integrated Governance

MCG and MCE operate under a Governance Agreement (GA) entered into effective July 1, 2015 and a Memorandum of Understanding (MoU) last revised in 2018 (which remains in force). An Addendum and Adherence Agreement that adds MCNL to the GA was entered into, effective 1 July 2018. At the same time, a second MoU that established operating rules and explained the relationship between MCNL, MCG and MCE was also entered into in 2018.

MCE is a member organisation, made up of nine Members (for more details see [The Members](#)). The nine Members are also the same nine Members of MCG and of MCNL. Those individuals sit on the [Joint Board Executive Committee \(JBEC\)](#).

Recognising that their funding and operations are integral to one with the other, MCE, MCG and

¹ Consolidated affiliates include: Asian Credit Public Fund, Kompanion Development Institution, Kompanion Bank, Kompanion Invest, MC Nigeria LTD/GTE (Nigeria), Mercy Corps China Holdings, LLC, Mercy Corps Development Holdings, LLC, Mercy Corps India, and CIT Services, LLC.

MCNL shall each appoint the same individual as Chief Executive Officer (CEO) of Mercy Corps.

MCE has an Executive Director who is appointed by the MCE Board (subject to the approval of the CEO). The Executive Director is the principal manager of MCE and reports to the MCE Board and the CEO.

MCE and MCG share global resources, inclusive of team members, policies, and operational and technical support structures.

See *Appendix 1-Memorandum of Understanding between MCE and MCG, Appendix 2-Memorandum of Understanding between MCNL, MCE and MCG, Appendix 3 and Appendix 4- Governance Agreement between MCE and MCG and Governance Agreement between MCE, MCG and MCNL.*

Memorandum and Articles of Association

MCE's Memorandum and Articles of Association sets out its name and that its registered offices are situated in Scotland. It lists its objects and that the liability of the Members is to guarantee its debts to the extent of £1.

The Articles of Association contain rules for its internal constitutional arrangements. They provide that MCE is a Member corporation, the powers of the Members and the Directors, the rights of the Members and Directors and the procedures of meetings. They provide that on winding up, the assets of MCE will be applied for charitable purposes, and not divided amongst the Members.

A copy of the Memorandum and Articles of Association for MCE can be found in *Appendix 5 - Memorandum and Articles of Association for MCE.*

Legislative Framework

2006 Companies Act

The 2006 Companies Act is the current legislation that governs company law in the UK, superseding the Companies Act 1985. The Companies Act lays out the legal framework under which companies in the UK operate. Mercy Corps Europe is registered as a company limited by guarantee under the 2006 Companies Act with Companies House. As the act reformed existing company law when introduced, it also lays out legal duties of Board Directors for the first time. More details on [Board Director's duties](#) can be found below.

The Charities and Trustees Investment (Scotland) 2005 Act

The Charities and Trustees Investment (Scotland) Act 2005 (hereafter referred to as the 2005 Act) established a new statutory framework for granting charitable status and for regulating charities in Scotland. MCE was recognised as a charity under the law in force prior to the 2005 Act. The Inland Revenue accept that bodies registered by the Office of the Scottish Charity Regulator (OSCR) comply with the charity tests in the 2005 Act and also qualify for tax purposes as charities. The 2005 Act, and the Accounting Regulations made under the 2005 Act, ensures that each charity is accountable and provides information about itself and its activities which the public can access.

MCE must carry out one or more of the charitable purposes set out in the 2005 Act and provide public benefit in Scotland or elsewhere.

MCE's charitable purposes registered with OSCR as:

- i. Relief of Poverty;
- ii. Advancement of Health;
- iii. The advancement of community development;
- iv. The saving of lives;
- v. The advancement of human rights, conflict resolution or reconciliation;
- vi. The advancement of environmental protection.

Annual Reports and Accounts

The 2005 Act requires MCE to keep proper accounts and produce annual accounts, which must include an annual report on activities. It is required to send a copy of the accounts to OSCR within 9 months from the end of its accounting year as well as to Companies House. Being a company, MCE must produce accrued accounts, in which unpaid debts and receipts have to be accounted for.

The format of accounts is governed by the Charities Accounts (Scotland) Regulations 2006. MCE's accounts must also be prepared in accordance with the Statement of Recommended Practice for Charity Accounting 2005 (SORP 2005). SORP 2015 is applicable for accounting periods beginning on or after 1st January 2015.

The MCE Audit and Risk Committee is responsible for recommending the Annual Report and Accounts, approved in draft by the auditors, for referral to the Board for approval by each Director. After the Audit Certificate is signed on behalf of the Board, copies will be sent to OSCR and Companies House. In addition, MCE completes an annual return for OSCR including details of changes to Board Membership and other significant changes.

Complaints Procedure

We take complaints very seriously and we treat them as an opportunity to develop. This is why we are always very grateful to hear from people who contact us about their problems, concerns or worries and who are willing to take the time to help us improve. We deal with all complaints as quickly as possible and in accordance with our values, and we put measures in place in an effort to stop similar situations happening again.

All Complaints should in the first instance be made in writing for further investigation and response to the Executive Director who will refer to the Chair of the Board if appropriate. Any complaints in relation to the Executive Director should be referred directly to the Chair. The Chair should always be informed of any complaints received.

If a complainant remains dissatisfied with the resolution of a complaint or the complaint concerns a matter of serious misconduct or mismanagement, complaints may be made directly to:

Office of the Scottish Charity Regulator (OSCR)
2nd Floor
Quadrant House
9 Riverside Drive
Dundee, DD1 4NY

Further information about the OSCR Complaints Process can be found on the [OSCR website](https://www.oscr.gov.uk/).

Complaints can also be made through Mercy Corps Integrity Hotline at www.mercycorps.org/integrityhotline or integrityhotline@mercycorps.org.

› MERCY CORPS EUROPE – A MEMBER COMPANY

MCE, MCNL and MCG are Membership entities with the same group of Members.

The Members, nine in total, are:

- The respective Chairs of each organisation;
- The common CEO;
- Two Members appointed by MCE Board of Directors;
- Four Members appointed by MCG Board of Directors.

The Members appoint the Directors of MCE, MCNL and MCG based on nominations from each respective Board.

The Member group also forms the Joint Board Executive Committee (JBEC). The JBEC shall exercise the full power of the Board of MCG and of the Board of MCE as delegated to it by the Boards. The Boards of the two organisations will remain in overall control of their respective organisations.

Members will be invited to attend the Annual General Meeting (AGM), convened once every calendar year, at such a time and place as may be determined by the Board. At the AGM, the Members will appoint Directors of the Boards in the place of those retiring.

› THE BOARD OF DIRECTORS

The Board consists of between six and 20 Directors (Memorandum & Articles of Association - Article 25). The Board will elect a Chair from among their number and determine the period for which they are to hold office. The MCG Chair will serve as a Director of the Board of MCE *ex officio* with full voting power. Similarly the MCE Chair will serve *ex officio* with full voting power on the Board of MCG. The CEO will also serve *ex officio* with full voting power on the Boards of both MCG and MCE. The quorum of the Board must be/at least four Directors.

Structure and Composition

The Board should ideally comprise of individuals with the following characteristics and competencies:

- Brings diversity to the board - age, gender, ethnicity, etc.;
- Global experience/influence/networks;
- Has a network includes European influencers and donors;
- Corporate governance experience.

Role of the Board

- Ensure the charity adheres to its charitable purposes and mission;
- Provide accountability and ensure proper management;
- Contribute advice and assistance, according to individual Director's experience.

Responsibilities of the Board

- The Board must familiarise themselves with the objects of MCE contained in the Memorandum and Articles of Association and also have

a copy of the Articles to consult. They must administer MCE in accordance with these documents.

- The Board must meet as often as is necessary for the proper administration of MCE.
- The Board must ensure the information about the extent and location of the assets of MCE is kept up to date and must be able to access it.
- The Board has the power to appoint a Joint Board Executive Committee (JBEC) to carry out tasks on their behalf but cannot delegate the overall administration and direction of MCE.
- The Board should take advice from qualified persons where they do not have the appropriate skills but must reach their own decisions in the light of advice provided.
- The Board must review and approve the Mercy Corps Europe strategy in conjunction with the Executive Director.
- The Board must ensure systems and procedures exist to ensure that the Compass, as agreed, is implemented within the organisation.
- The Board must approve the annual budget and accounts.
- The Board must approve the overall risk strategy and the risk profile of the charity, as well as the risk management framework.
- The Board must approve specified financial payments and property decisions in line with the Scheme of Delegation issued to the Executive Director.
- Through the establishment of an ad hoc nominations committee, the Board must approve the recruitment, selection and appointment of the Executive Director (including approval of salary and conditions of service), subject to the approval of the Chief Executive Officer (CEO).
- The Board must evaluate the performance of the Executive Director.
- The Board nominates other Board Directors who shall be ratified by the members of the Joint Board Executive Committee (JBEC).

Directors of the Board

Responsibilities

- Directors must familiarise themselves with the objects of MCE contained in the Memorandum of Association, and also have a copy of the Articles to consult. They must administer MCE in accordance with these documents.
- Directors must meet as often as is necessary for the proper administration of MCE. In any case, Directors should attend a minimum of two out of three Board meetings a year.
- Directors should travel to the field.
- Directors should contribute financially to support the work of Mercy Corps.
- Mercy Corps must be one of the Board Directors' top three non-professional activities.
- Directors should bring a fair and open-minded view to all discussions of the Board and ensure that all decisions are made in the charity's best interests.
- All Directors should be able to represent and promote Mercy Corps at the most senior level of the private and public sectors.
- Directors must not act in any way which brings their personal interests into conflict of those of MCE, nor can they benefit personally from their Directorship. They are, however, entitled to reasonable out of pocket expenses.

Statutory Duties

Directors need to be aware that they are personally subject to statutory duties in their capacity as Directors. In addition, the company as a separate legal entity is subject to statutory controls and the Directors are responsible for ensuring that the company complies with such statutory controls.

The Companies Act 2006 sets out seven general duties of directors, which are:

- To act within powers in accordance with the company's constitution and to use those powers only for the purposes for which they were conferred;
- To promote the success of the company for the benefit of its members;
- To exercise independent judgement;
- To exercise reasonable care, skill and diligence;
- To avoid conflicts of interest;
- Not to accept benefits from third parties;
- To declare an interest in a proposed transaction or arrangement.

Charity Directors must be in control of the management and administration of their charity, and act with appropriate care and diligence in the interests of their charity and not of any third party. They are collectively responsible for ensuring that the charity complies with the law.

For more information see *Appendix 6: Board Charter*.

General Duties of Charity Directors

A Charity Director must:

1. Act in the interests of the charity
 - a. You must operate in a manner consistent with the charity's purpose
 - b. You must act with care and diligence
 - c. You must manage any conflict of interest between the charity and any person or organisation who appoints trustees

Specific Duties of Charity Directors

Additional duties for Charity Directors include:

1. Updating your charity's details
2. Reporting to OSCR
 - a. Annual Monitoring – inclusive of Annual Accounts and Report
 - b. Charity Accounting
 - c. Making Changes to Your Charity – inclusive of gaining OSCR consent for certain changes
3. Financial record keeping and reporting – as stipulated in Section 44 of the [2005 Charities & Trustee Investment \(Scotland\) Act](#)
4. Fundraising – Directors are responsible for taking control of how their charity fundraises
5. Providing information to the public – Directors must ensure their charity meets legal requirements when referring to their charitable status, and to provide information about their charity to the public

Liabilities

Directors may incur personal liability, both civil and criminal, for their acts or omissions in directing the company.

Any breach of the duties will be treated as misconduct in the administration of the charity, entitling the Office of the Scottish Charity Regulator (OSCR) to invoke its powers under Section 31 of the 2005 Act. These include power to suspend the Board Directors, to direct the charity to cease representing itself as a charity or as a Scottish charity, to restrict the transactions which may be entered into, or the nature or amount of payments which may be made in the

administration of the charity without OSCR's consent, and to direct any third party holding property on behalf of the charity not to part with it without OSCR's consent.

OSCR is under a general duty to act proportionately in performing its regulatory function; any action OSCR may take must be proportionate to the misconduct concerned. OSCR cannot suspend a Board Director under these powers if it considers the Board Director has acted honestly and reasonably in relation to the misconduct and ought fairly to be excused.

Where there has been a breach of any of these duties, the Board Director must take whatever steps are reasonably practicable to ensure that the breach of duty is corrected and not repeated. Any Board Director who has been in serious or persistent breach of the duty should resign, or will be removed from his/her position at a general meeting.

Terms of Appointment

At each AGM one third of the elected Board for the time being, or if their number is not a multiple of three then the number nearest to one third, shall retire from office. All retiring Directors are eligible for re-election. The longest in officer shall retire first, or in the case of an equality of period of service, those to retire shall be selected by lot (Memorandum & Articles of Association, Articles 28-31).

The Chairs and Board Directors should retire and not seek re-election after six years' service unless the Board determines otherwise.

Selection of new Board Directors

The normal determinant for selection of new Board Directors will be their experience and knowledge in the appropriate competency tempered with their ability to function in Mercy Corps' distinctive culture and ethos.

Chair of the Board

Appointment

- Board Directors elect one of their numbers to be Chair, to hold office and determine the period for which s/he is to hold office (Memorandum & Articles of Association, Article 39). The Chair is eligible for reappointment.
- The Chair elected by MCE Board shall also be an ex-officio Board Member of MCG.
- The Chair elected by the MCG Board shall be an ex-officio Board Member of MCE.
- The Chair will serve for a minimum of three years and a maximum of six years unless the Boards agrees otherwise.
- Board Directors may at any time revoke any appointment as Chair. The appointment or revocation of appointment of the Chair shall be made after consultation with the Mercy Corps Europe Executive Director and the JBEC.
- The Chair has full voting rights. Questions arising at any meeting shall be determined by a majority of votes and in the case of an equality of votes the MCE Chair shall have a second or casting vote.

Roles & Responsibilities of the Chair

- Leads the process of ensuring the Board meets its responsibilities and accountabilities;
- Leads the process of decision making by the Board in an objective and impartial manner;
- Calls the Board meetings and approves the agenda for Board meetings (in discussion with the Executive Director);
- Chairs all Board meetings and ensures that all decisions are documented accurately in minutes, policies and other documents;

- Monitors the implementation of Board decisions and policies, and sign accounts and other reports on behalf of the Board;
- Acts as the public spokesperson of the Board and represents the Board at external meetings;
- Is responsible for the Annual Performance Review of the Executive Director, together with the CEO, in consultation with Board Directors;
- Provides advice, guidance and support to the Executive Director;
- Is responsible for the individual and collective performance of the Board.

Conflict of Interest

For any agenda item where the Chair's personal position may be considered a conflict of interest, the Chair should ask another Board Director to take over the role of Chair for that item before the agenda item begins. The Board may decide the Chair should leave the room while this item is discussed.

Designated Safeguarding Board Director

The MCE Board shall appoint a designated safeguarding Board Director. Currently, the Joint Audit and Risk Committee (JARC) oversees Mercy Corps' safeguarding efforts, reviews and recommends policies to the full board for approval and receives regular reports from the General Counsel and Ethics Teams. As such, if possible, the designated safeguarding Board Director shall also be member of the JARC.

The responsibilities of the designated safeguarding Board Director are:

- Meeting regularly with the Executives responsible for Safeguarding in the organisation, receiving reports and discussing activity (this can be done partly though he attendance of the JARC).
- Acting as an independent resource that can offer advice, on request, to management that are dealing with and reporting safeguarding incidents.
- Ensuring that the organisation is doing all it can to safeguard those it comes into contact with.
- Ensuring appropriate time is devoted to safeguarding at Board meetings.
- Operating as a person independent from management to whom safeguarding issues can also be directly referred, if it is felt that management is not dealing with an issue appropriately or if it involves management.

Expectations of Board Directors

Field Visit

New Board Directors are encouraged to carry out at least one field visit in their first two years of office.

Declaration of Interest Register

Board Directors are required to complete a Declaration of Interest Form each year (See *Appendix 7: Declaration of Interest Register Form*).

Gifts, Hospitality and Benefits

It is expected that Board Directors will not benefit materially as a result of their Board directorship. Any gifts received in connection with their role as Board Directors must be treated in accordance with Mercy Corps' Gift Acceptance Policy (see *Appendix 8: Mercy Corps Gift Acceptance Policy*).

Directors Indemnity Insurance

Directors Indemnity Insurance for all Board Directors is reviewed annually and currently obtained from DUAL Corporate Risks Limited - DC-01916919K8. Directors Liability under this policy is limited to £5,000,000. Mercy Corps also holds a Professional Indemnity Insurance obtained from Hiscox Insurance Company Limited - PL-PSC10001701158/01. Professional Indemnity is limited to £10,000,000. The policy certificates are kept in the Edinburgh office and copies are available on request for all Board Directors.

Allowances and Reimbursement of Expenses

Board Directors are entitled to be reimbursed for their reasonable out of pocket expenses in connection with their duties, but shall not be paid any other remuneration save as permitted in the Memorandum and Articles of Association. Receipts for expenses incurred must be provided.

Board Meetings

The Board may meet, adjourn and run its meetings as it wishes, subject to the Memorandum and Articles of Association. Board meetings take place usually three times a year in March, June and November. The spring and autumn meetings convene the Boards of all entities (MCG, MCE and MCNL). Entity-specific Board meetings are held in the summer in Europe and in the US.

Agenda and Preparation for Board meetings

Agenda and supporting papers for a Board meeting will be sent to Board Directors at least five working days prior to the meeting. The Chair shall have discretionary powers regarding acceptance of items for the agenda.

Attendance at Meetings

- Board Directors will be expected to attend Board meetings, any sub-Committee to which they have been appointed and any special policy and strategy day organised for the Board as a priority. Any Director unable to attend should give apologies and the reason for non-attendance to the Chair. Material non-attendance may become a reason for a Board Director being asked to resign.
- Attendance can be in person or by telephone or video conference (Articles of Association - Article 44).
- In addition to Board Directors, the Executive Director will attend all Board meetings. Other team members will attend as agreed appropriate.

Minutes and Resolution

- Board minutes are the official record of Board action. Decisions and actions recorded in the official minutes shall be considered as official action of the Board.
- Draft Minutes from the previous meeting of the Board will be presented at the succeeding meeting for approval by the Board.
- Additionally a written resolution approved by the Board (whether an ordinary or a special resolution) shall be as valid and effective as if the same had been passed at a General Meeting duly convened and held. For this purpose, the written resolution may be set out in more than one document.

Confidentiality

Decisions within Board meetings are confidential. The European Senior Leadership Team (ESLT) will pass on the outcome of the meeting to relevant parties in furtherance of MCE business. The Board may not disclose confidential information relating to MCE Business to any person without authorisation.

Board Directors shall use confidential information solely for the business of MCE, except as requested by law. They will also ensure that such information is stored securely whilst in their possession.

At the end of Board Directors' terms of office, he or she shall return all materials, regardless of medium, containing or derived from, confidential information, as requested by MCE.

Failure to comply with the above could lead to disciplinary action subject to the discretion of the Chair and the Executive Director.

Scheme of Delegation Delegation of Authority

A number of decisions are reserved to the Board in line with its responsibilities for:

- Ensuring that MCE adheres to its charitable purpose and mission;
- Determining the overall strategic direction of MCE within resource limits;
- Monitoring the performance of the Executive Director, holding her/him to account for the exercise of delegated powers and delivery against plans and budgets;
- Deciding upon key policies in some instances in conjunction with the MCG Board.

The majority of operational decisions are delegated to the Executive Director in line with her/his responsibilities for managing MCE in accordance with the strategic, planning and budgetary parameters and risk management strategy, as approved by the Board.

Table of Delegated Authority

The table below outlines decisions which are reserved to the Board and those which are delegated to the Executive Director subject to the escalation procedures detailed above.

| SUBJECT | RESERVED TO THE BOARD | DELEGATED TO/ RESPONSIBILITY OF THE EXECUTIVE DIRECTOR |
|--------------------------|---|---|
| Corporate Governance | Consideration and approval of the Corporate Governance framework, including the Scheme of Delegation. | Responsibility for all matters of organisational structure below the level of Executive Director. Able to delegate authority to other MCE staff and will prepare and maintain a detailed Authority Levels Document. |
| Strategy | Approval of the overall strategic direction of MCE and consideration and approval of the Global Strategic Framework. | Recommendation to the MCE Board of other strategic opportunities out with the Global Strategic Framework. |
| Strategic Partnerships | Consideration and approval of formal strategic partnerships with other organisations. | Recommendations to the Board for formal strategic partnerships with other organisations out with the MC Network. |
| Corporate Plans & Budget | Consideration and approval of the MCE's Annual Budget and Plans. | Preparation of Corporate Plans and Annual Budgets |
| | Variations to the approved budget where the variation would have a significant impact on the overall approved levels of income and expenditure. | Variations to the approved budget where the variation would not have a significant impact on the overall approved levels of income and expenditure. (Significant – the lesser of £100K expenditure or the amount which reduces reserves to below the level set by the policy and agreed by the Board) |

| SUBJECT | RESERVED TO THE BOARD | DELEGATED TO/ RESPONSIBILITY OF THE EXECUTIVE DIRECTOR |
|--|--|--|
| Annual Report & Accounts | Approval of Annual Report and accounts. | Drafting the Annual Report and Accounts for Board approval. Submission of returns derived from the Annual Report and Accounts to Regulatory Agencies. |
| Corporate/Operational Performance Management | Determination and approval of arrangements for performance management and consideration of regular monitoring reports. | To keep the Board informed of progress in achieving performance objectives and to advise of any significant variance from the approved Operating Plans and Budget. |
| Risk Management | Approval of the MCE's Risk Management Strategy and consideration of reports of the MCEARC. | To maintain the system of internal controls and assurance framework within MCE and to provide the Board and A&RC with assurance on its on-going effectiveness. Escalation of issues for consideration by the Board in accordance with the MCE Risk Management Strategy. |
| HR Issues | Appointment and remuneration of the Executive Director | All appointments and other HR issues. |
| | Approval of significant changes to overall HR strategy and policy, including staff terms and conditions of employment. | |
| External Advisors | Appointment of professional advisors/firms | Recommendations to the Board for the appointment of professional advisors (including Bankers and Lawyers) |
| Audit Issues | Appointment of the external auditors and approval of changes to auditors' overall terms of appointment. Consideration of significant issues arising from the work of appointed auditors. Receiving a full report from the MCEARC at least annually | Responsibility for management of relationships with internal and external auditors. To report to the MCEARC and the Board matters of significance arising from the work of appointed auditors. |
| MCE Administration | The cycle of Board meetings, the composition of Board agendas and approval of minutes of Board meetings. | Provision of an effective Secretariat. To make recommendations for the cycle of Board meetings, and for the composition of agendas for meetings. To prepare draft minutes and maintain efficient overall arrangements for the administration of the MCE. To provide necessary support and resources for Board Directors to maintain and develop their skills and knowledge. |

Policies for Board Approval

Board approved policies are organisational policies typically required as a condition of Mercy Corps' legal status or governance framework. They are approved by the Board following a review process by the relevant Committee and/

or the Executive Team and stakeholders, as necessary.

Policies should be reviewed regularly or when significant changes to the organisational structure occur. See Appendix 9: Policies Matrix.

MERCY CORPS EUROPE COMMITTEES

The Board has five standing committees made up of Board Directors of Mercy Corps Europe and MCG and other independent individuals with relevant experience under specific terms of reference from the Board. These committees are:

- The Joint Board Executive Committee
- The Joint Audit and Risk Committee
- The Joint Finance Committee
- The MCE Audit and Risk Committee
- The Joint Board Development Committee

Under section 41 of the Articles of Association, the Board may delegate any of their powers to a Committee.

Joint Board Executive Committee (JBEC)

The JBEC shall exercise the full power of the Board of MCG and of the Board of MCE in the management of each during periods of adjournment of the respective Boards as delegated to the JBEC by the respective Boards and as detailed in Appendix 11 - Board and JBEC Scheme of Delegation.

See Appendix 10: Joint Board Executive Committee (JBEC) for more detail.

Joint Finance Committee (JFC)

The Joint Finance Committee (JFC) is chartered to support the Mercy Corps' Board of Directors in fulfilling their oversight responsibility with respect to the financial stability, financial strategy and the long-term economic health of Mercy Corps.

The JFC shall review the financial condition, policies, and practices of Mercy Corps and provide reports and recommendations with respect to these to the Joint Board Executive Committee (JBEC) and as appropriate to the Boards.

See Appendix 12: Charter of the Joint Finance Committee (JFC).

Joint Audit and Risk Committee (JARC)

In carrying out its duties the JARC works with and alongside the MCE Audit and Risk Committee (MCEARC).

The JARC is chartered to support the Mercy Corps' Board of Directors in fulfilling their oversight responsibility to donors, potential donors, the NGO community and other stakeholders regarding Mercy Corps' financial statements and the financial reporting process.

Specifically, the JARC will assist with:

- Ensuring the integrity of the Mercy Corps consolidated annual statements;
- Compliance with legal and regulatory requirements;
- The selection, engagement and dismissal of Mercy Corps' independent auditors;
- The performance of the Mercy Corps internal audit function.

See Appendix 13: Charter of the Joint Audit and Risk Committee (JARC).

The Joint Board Development Committee

The Joint Development Committee is chartered to provide assistance to the Board to fulfil their responsibility for Mercy Corps' fiscal health by ensuring Mercy Corps has an effective private resource development programme.

See Appendix 14: Charter of the Joint Board Development Committee

Mercy Corps Europe Audit and Risk Committee (MCEARC)

In carrying out its duties the MCEARC works with and alongside the Mercy Corps Joint Audit and Risk Committee (JARC).

The MCEARC has delegated responsibility on behalf of the Board for:

- Ensuring effective audit coverage.
- Examining and reviewing financial systems and methods of control within MCE.
- Overseeing the Risk Management function for MCE.
- Ensuring MCE is complying with all aspects of the law, regulations and recommending good practice relating to its accounting and risk management function.
- Ensuring the integrity of the Mercy Corps consolidated annual statements

See Appendix 15: Charter of MCE Audit and Risk Committee (MCEARC).

LEADERSHIP TEAM

Executive Team

The **Executive Team (ET)** is the highest management and decision-making body in Mercy Corps. It ensures that the organisation is focused on and mobilised around our global strategic priorities and annual goals and prepared for major risks, opportunities and liabilities that impact our overall mission and organisational success. It primarily focuses on the execution of Mercy Corps' Compass and the review of all critical management, operational and policy issues that arise, including final budget approval. It also reviews and adjusts all issues and initiatives that require Board input and/or approval. The ET meets monthly and is chaired by the CEO, who is ultimately responsible for executive decisions. The ET currently includes:

1. Chief Executive Officer
2. Executive Director – Mercy Corps Europe
3. Chief Financial Officer
4. General Legal Counsel
5. Chief People and Strategy Officer
6. Chief Development and Market Officer
7. SVP Programs
8. VP for Technical Leadership
9. VP for Innovation
10. VP of Policy and Research

European Senior Leadership Team (ESLT)

The ESLT is the highest management decision-making body in Europe, working in close collaboration with the Executive Team counterparts, who are responsible for the setting of overall, global strategy. It reviews all critical European management, operational and policy issues and major strategic initiatives on an on-going basis and ensures that the team in Europe is fully aligned around global strategic priorities and annual goals. It primarily focuses on the execution of the European strategic plan as well as keeping on top of the most critical organisational issues that arise in relation to the efficient functioning of both MCE and MCNL. It also reviews and fine tunes all issues and initiatives that require Board input and/or approval. The ESLT meets monthly around an agenda focused on strategic issues that require collective discussion and input. It is chaired by the Executive Director (who is ultimately responsible for the decisions taken and also sits on the global Executive Team) and consists of the departmental heads in Europe, along with select Directors based in Europe with global functions that require close coordination with European teams. The ESLT currently includes:

1. Executive Director
2. Finance Director
3. Director Compliance, Governance and Risk
4. Senior Director Programmes, Funding and Operations
5. HR Director
6. Senior Director Policy and Advocacy
7. Manager - Executive Office
8. Director Mercy Corps Netherlands
9. Head of Media & Communications
10. Director Partnerships & Influence

Chief Executive Officer (CEO)

- MCG, MCE and MCNL shall appoint the same individual as Chief Executive Officer (CEO).
- The CEO serves *ex officio* with full voting power on the Boards of MCG, and MCE and MCNL.
- The CEO will determine which officers shall constitute the Executive Team. Members of the Executive Team can reside anywhere.

MCE Executive Director

- The MCE Executive Director is appointed by the MCE Board subject to the approval of the CEO.
- The Executive Director is the principal manager of MCE and reports to the MCE Board and the CEO.
- The Executive Director of MCE shall be a member of the Executive Team.
- The Executive Director is a member of the Executive Team which is the highest management and decision-making body in Mercy Corps Global.

Please refer also to Appendix 16 – MCE Organogram.

Escalation to the Board

While the Executive Director is responsible for the management of MCE, there are some issues on which the Board seeks early warning or communication, or on which the Executive Director may seek the Board's steer and/or input.

Matters will be escalated to the Board on issues/cases that potentially involve:

- Deviation from agreed strategy/plans;
- Damage to reputation;
- Damage to key relationships (Beneficiaries, Donors, MC Network, Regulator, Staff);
- Significant financial impact;
- Liability or reputational impact for Board Directors;
- Impact on organisational effectiveness and delivery;
- Any significant or recurring incidents of bribery and corruption.

Escalation ensures that the Board is made aware of issues of high risk/high impact, and enables it to be kept informed, explore issues with the Executive Director and ESLT and exercise discretion as to whether or not it may need to formally approve decisions/action.

APPENDICES

| | |
|--------------|---|
| Appendix 1: | Memorandum of Understanding between MCE and MCG |
| Appendix 2: | Memorandum of Understanding between MCNL, MCE and MCG |
| Appendix 3: | Governance Agreement between MCE and MCG |
| Appendix 4: | Governance Agreement between MCE, MCG and MCNL |
| Appendix 5: | Memorandum and Articles of Association for MCE |
| Appendix 6: | Board Charter |
| Appendix 7: | Declaration of Interest Register Form |
| Appendix 8: | Mercy Corps' Gift Acceptance Policy |
| Appendix 9: | Policies Matrix |
| Appendix 10: | Joint Board Executive Committee (JBEC) |
| Appendix 11: | Board and JBEC Scheme of Delegation |
| Appendix 12: | Charter of the Joint Finance Committee (JFC) |
| Appendix 13: | Charter of the Joint Audit and Risk Committee (JARC) |
| Appendix 14: | Charter of the Joint Board Development Committee |
| Appendix 15: | Charter of MCE Audit and Risk Committee (MCEARC) |
| Appendix 16: | MCE Organogram |

CONTACT INFORMATION

For business or operation matters, contact the Chair or Executive Director.

Chair of the Board

Iman Dakhil
Tel: +44 (0)131 662 5160

Executive Director

Simon O'Connell
Office: +44 (0)131 662 5160
Email: soconnell@mercycorps.org

Office address and phone

Edinburgh:

Mercy Corps
96/3 Commercial Quay
Edinburgh, EH6 6LX
Scotland, United Kingdom
Tel: +44 (0)131 662 5160

London:

Mercy Corps
2nd Floor, West Wind
The Hop Exchange
24 Southwark Street
London, SE1 1TY
United Kingdom
Tel: +44 (0) 203 908 0170

ABOUT MERCY CORPS



Mercy Corps is a leading global organisation powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.



Mercy Corps Europe
96/3 Commercial Quay
Edinburgh
EH6 6LX
Scotland, UK
europe.mercycorps.org





**REVISED AND RESTATED
MEMORANDUM OF UNDERSTANDING
BETWEEN
MERCY CORPS GLOBAL (MCG) AND
MERCY CORPS EUROPE (MCE)**

RECITALS

MCG and MCE (the Parties) are two legal entities, with separate boards elected by common members supervising a common Chief Executive Officer and unified management. Together the Parties function as one world-wide organization, Mercy Corps, sharing the same mission, vision, core values, and charitable objects. The principal role of each is to support and further Mercy Corps' vision and the strategy for its implementation and to represent Mercy Corps in key international forums.

Mercy Corps consists of:

1. MCG (offices in Portland, Oregon, Cambridge, Massachusetts, and Washington, D.C.);
2. MCE (offices in Edinburgh and London U.K., and Geneva, Switzerland);
3. Field operations, including branches and local organizations (located in approximately 43 countries).

Beginning in 1996 MCG and MCE and their predecessor organizations entered into a collaborative relationship reflected in an April 14, 2005 Memorandum of Understanding, as amended on September 22, 2009. On July 1, 2015 the Parties entered into a Governance Agreement pursuant to which, consistent with regulatory and donor requirements, there are common members, a Joint Board Executive Committee (JBEC), which has been delegated the management of the business of the respective Boards during any period of adjournment between meetings of the respective Boards, and a unified executive management structure. In this Revised and Restated Memorandum of Understanding the Parties wish to clarify and reaffirm their relationship.

Therefore, the Parties agree as follows:

1. Overall Purpose

MCG and MCE function as one world-wide organization sharing the same mission, vision, and core values. The principal role of each is to support the worldwide Mercy Corps programs and to represent Mercy Corps in key international forums.

Global Headquarters

45 SW Ankeny Street
Portland, OR 97204
503.896.5000 tel
503.896.5011 fax

European Headquarters

40 Sciennes
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Scotland, UK
+44.131.662.5160 tel
+44.131.662.6648 fax

Washington, DC Office

1111 19th Street, NW
Suite 650
Washington, DC 20036
202.463.7383 tel
202.463.7322 fax



2. Standards

The Parties agree to abide by a common set of jointly developed operational standards and practices, as they may be developed and implemented from time to time. At present, these common operational standards and practices include at least the following:

- a. Strategic Framework and Roadmap, including a global planning and budgeting process led by the global CEO and Executive Team;
- b. Unified global management and operations that ensure that Mercy Corps is a high performing and leading global organization;
- c. Vision for Change;
- d. Mercy Corps Code of Conduct;
- e. Mercy Corps field operations policies and procedures, including but not limited to the Field Finance Manual, Field Procurement Manual, Field Administration Manual, Field Security Manual and Field Asset Manual;
- f. Mercy Corps Ineligibility and Compliance Checking Policy and Procedure;
- g. Mercy Corps Expatriate Team Handbook;
- h. Mercy Corps Anti-Corruption Policy;
- i. Mercy Corps Anti-Bribery Policy;
- j. Mercy Corps Conflict of Interest Policy; and
- k. Common Website and shared internet functionality and other online resources.

3. Obligations of MCE

- 3.1 MCE possesses legal and fiscal responsibility and oversight over all projects for which MCE has obtained funding ("MCE Projects"). To discharge its legal and fiscal responsibilities and exercise oversight over the MCE Projects, the MCE Trustees have delegated certain operational and managerial functions to MCG, as set forth in Section 4 below. The MCE Trustees have a clear and unequivocal responsibility to ensure that any MCE Project falls within MCE's remit as defined under UK and Scottish charity legislation and that all funds are used appropriately. The MCE Trustees through the MCE members on the JBEC will be consulted on all major strategic, operational and management issues concerning the MCE Projects.
- 3.2 The MCE Board will establish policies and adopt strategy with regard to the European grants that MCE will seek as part of the global Mercy Corps program, in line with the Mercy Corps strategy.
- 3.3 With respect to the MCE Projects, MCE will:
 - 3.3.1 Administer and report on European grants and contracts;
 - 3.3.2 Liaise with European stakeholders;



- 3.3.3 Generally appoint those staff who have their permanent work base in Europe and UK nationals working for Mercy Corps in countries of implementation;
- 3.3.4 Raise private financial resources in Europe;
- 3.3.5 Review, concurrently with the CEO and senior program management, annual plans and budgets of Mercy Corps programs worldwide;
- 3.3.6 Review and approve annual plans and budgets for MCE Projects as part of the Mercy Corps annual global budget, with a commitment to cover a reasonable portion of MCG overhead and direct and indirect program costs as per agreed principles;
- 3.3.7 Review MCE grants and financial reports that highlight progress toward achieving Mercy Corps' objective, including issues affecting implementation and financial status;
- 3.3.8 Participate in setting, reviewing, approving and adjusting Mercy Corps' annual strategic plans and budgets;
- 3.3.9 Undertake field visits as appropriate for overall oversight;
- 3.3.10 Work with MCG to ensure that Mercy Corps global policies, procedures, practices and standards are consistent with and ensure compliance with applicable MCE legal, contractual and donor restrictions; and
- 3.3.11 Sign project contracts between MCE and European donors.

4. Obligations of MCG

- 4.1 MCG will work with MCE to ensure that Mercy Corps global policies, procedures, practices and standards are consistent with and ensure compliance with applicable MCE legal, contractual and donor restrictions. MCG will also endeavor to conduct all Mercy Corps operations in a manner consistent with NGO sector best practices and standards as well as Mercy Corps' own policies and procedures. In addition, the Mercy Corps annual planning process will include appropriate program and financial staff of MCE and will be conducted in light of the agreed strategic objectives. It is understood that Mercy Corps will seek a diversified funding portfolio.
- 4.2 With respect to all countries within which Mercy Corps wishes to seek European funding, MCG shall:



- 4.2.1 Prepare annual country program plans and budgets in consultation with MCE financial and program staff and in the light of MCE agreed policy, and strategic objectives;;
- 4.2.2 Ensure sufficient monitoring is undertaken of project implementation and results, provide internal audit functions, provide information as requested for the proper financial recordkeeping and reporting and compliance with the corporate and charity law, agency personnel and operating policies and all grant terms and conditions. All donors reporting for such activities is to be completed by MCE;
- 4.2.3 Prepare and assist with the initial draft project proposals for MCE review, approval and submission to European donors and government agencies;
- 4.2.4 Provide direction in country offices, technical assistance and day-to-day operational headquarters support for all MCE funded Projects; and
- 4.2.5 Recruit, orient and supervise all staff employed in country offices.

5. Finances

- 5.1 The Parties shall strive to implement all plans for MCE Projects within the approved budgets.
- 5.2 The Parties will keep each other fully informed concerning any developments which may necessitate any significant changes in MCE Project design, particularly changes in the goals and objectives, activities, the implementation schedule or the allocation of funds.
- 5.3 MCG will assume any of MCE's financial liabilities that might arise from donor disallowances.
- 5.4 MCG and MCE will agree upon a schedule of the financial information (which will be regularly updated) that is required to be shared between the Parties.


6. Additional Matters

- 6.1 After the date of this MOU, the Parties shall execute such documents and perform such acts as may be reasonably required to give full effect to this MOU.

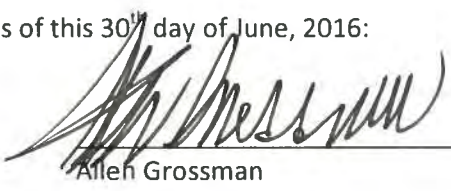


- 6.2 No amendment or other modification of this MOU will be valid or binding on either of the Parties unless it is reduced to writing and signed by both of the Parties.
- 6.3 Neither Party shall assign its rights or delegate the performance of its duties under this MOU without the prior written consent of the other.
- 6.4 No third-party shall acquire any rights or benefits under this MOU.
- 6.5 Subject to the provisions of the Governance Agreement dated July 1, 2015, either of the Parties to this MOU may terminate this MOU by giving at least 180 days' advance notice, not to be exercised unreasonably. Notices shall be in writing and may be delivered by email, facsimile, certified mail, air courier, or messenger to the Company Secretary. Notwithstanding such expiry or termination notice, the terms and conditions of this MOU will continue to govern the operational management of all existing projects.

As agreed by the duly authorized parties as of this 30th day of June, 2016:



Thomas Murray
Chair
Mercy Corps Europe
Date: 29/6/16.



Allen Grossman
Chair
Mercy Corps Global
Date: 6/29/16



**MEMORANDUM OF UNDERSTANDING
BETWEEN
MERCY CORPS GLOBAL (MCG),
MERCY CORPS EUROPE (MCE), AND
MERCY CORPS NETHERLANDS (MCNL)**

RECITALS

MCG, MCE and MCNL (the Parties) are three legal entities, with separate boards and unified management. Together the Parties function as one world-wide organization, Mercy Corps, sharing the same mission, vision, core values, and charitable objects. The principal role of each is to support and further Mercy Corps' vision and the strategy for its implementation and to represent Mercy Corps in key international forums.

Mercy Corps consists of:

1. MCG (offices in Portland, Oregon and Washington, D.C.);
2. MCE (offices in Edinburgh and London U.K.);
3. MCNL (offices in The Hague);
4. Field operations, including branches and local organizations (located in approximately 45 countries).

MCG and MCE operate under a Governance Agreement (GA) entered into effective July 1, 2015 and a Memorandum of Understanding (MOU) last revised in 2016 (which remains in force). Mercy Corps Netherlands was established as a non-profit association on 19 December 2017. It is an Association registered with the Chamber of Commerce in Amsterdam. The Parties have entered into an Addendum and Adherence Agreement effective July 1, 2018 that adds MCNL to the GA. The purpose of this MOU is to establish operating rules and clarify the relationship between MCNL, MCG and MCE

Therefore, the Parties agree as follows:

1. Overall Purpose

MCG, MCE and MCNL function as one world-wide organization sharing the same mission, vision, and core values. The principal role of each is to support the worldwide Mercy Corps programs and to represent Mercy Corps in key international forums.

2. Standards

The Parties agree to abide by a common set of operational standards and practices, as they may be developed and implemented from time to time. At present, these common operational standards and practices include at least the following:



- a. Strategic Framework and Roadmap, including a global planning and budgeting process;
- b. Global Human Resource policies;
- c. Unified global management and operations that ensure that Mercy Corps is a high performing and leading global organization;
- d. Vision for Change;
- e. Mercy Corps Code of Conduct;
- f. Mercy Corps field operations policies and procedures, including but not limited to the Field Finance Manual, Field Procurement Manual, Field Administration Manual, Field Security Manual and Field Asset Manual;
- g. Mercy Corps Ineligibility and Compliance Checking Policy and Procedure;
- h. Mercy Corps Expatriate Team Handbook;
- i. Mercy Corps Anti-Corruption Policy;
- j. Mercy Corps Anti-Bribery Policy;
- k. Mercy Corps Conflict of Interest Policy;
- l. Mercy Corps Child Safeguarding Policy;
- m. Mercy Corps Ethics Complaint and Whistleblower Policy;
- n. Mercy Corps Anti-Trafficking Policy; and
- o. Common Website and shared internet functionality and other online resources.

3. Obligations of MCNL

- 3.1 MCNL will adhere to a common set of standards and policies as listed under Section 2 and develop such additional policies as may be required by Netherlands and EU law.
- 3.2 MCNL will possess legal and fiscal responsibility and oversight over all projects for which MCNL obtains funding ("MCNL Projects"). The MCNL Management Board has a clear and unequivocal responsibility to ensure that any MCNL Project falls within MCNL's remit as defined under the applicable Netherlands and EU legislation and that all funds are used appropriately. To discharge its legal and fiscal responsibilities and exercise oversight over the MCNL Projects, the MCNL Management Board will delegate certain operational and managerial functions to MCG and MCE, as set forth in Sections 4 and 5 below.
- 3.3 MCNL will participate in MC global strategy and program development including:
 - 3.3.1 The setting, reviewing, approving and adjusting Mercy Corps' annual strategic plans and budgets;
 - 3.3.2 The review and approval of annual plans and budgets for MCNL Projects as part of the Mercy Corps annual global budget, with a commitment to cover a reasonable portion of MCE and MCG overhead and direct and indirect program costs as per agreed principles;



3.4 MCNL will work with MCE and MCG to:

- 3.4.1 Establish policies and adopt strategy with regard to grants that MCNL will seek as part of the global Mercy Corps program, in line with the Mercy Corps strategy;
- 3.4.2 Administer and report on grants and contracts under its management;
- 3.4.3 Liaise with European stakeholders.

3.5 MCNL will contribute to MC's global operations by:

- 3.5.1 Raising restricted and unrestricted financial resources in the Netherlands and from European Union institutions and donors;
- 3.5.2 Signing project contracts with donors;
- 3.5.3 Undertaking field visits as appropriate for program oversight or donor relations;
- 3.5.4 Generally appointing and managing staff who have their permanent work base in the Netherlands and Netherlands nationals working for Mercy Corps in countries of implementation.

3.6 MCNL will work with MCG and MCE to ensure that Mercy Corps global policies, procedures, practices and standards are consistent with and ensure compliance with applicable MCNL legal, contractual and donor restrictions.

3.7 MCNL will follow the go/no go process and other relevant MC thresholds approval process before signing any donor grant or contract agreement.

3.8 MCNL will not commit to any grant or contract that requires co-financing, or any contract agreement without the prior written approval of MCG pursuant to the agreed Mercy Corps co-financing process.

4. Obligations of MCE

MCE will provide operational support to MCNL in the following areas:

4.1 Human Resources:

- 4.1.1 Review and adapt HR policies to comply with the applicable Dutch regulations;
- 4.1.2 Assist with the recruitment of staff for the Netherlands office;
- 4.1.3 Oversight of payroll setup and processing.

4.2 Finance and Accounting:



- 4.2.1 Setting up common accounting and financial management systems to allow for consolidation of accounts at the end of the financial year;
- 4.2.2 Hiring an accountancy firm to assist the setup of the above system, manage payroll in the Netherlands, and provide tax and accounting advice;
- 4.2.3 Donor and internal financial reporting;
- 4.2.4 Support to field finance for MCNL funded activities;
- 4.2.5 Consolidation of accounts for year-end reporting.

4.3 Program Support

- 4.3.1 Assist with proposal development for Netherlands and EU donors;
- 4.3.2 Assist with donor reporting.

5. Obligations of MCG

5.1 MCG will work with MCNL to ensure that Mercy Corps global policies, procedures, practices and standards are consistent with and ensure compliance with applicable MCNL legal, contractual and donor restrictions. MCG will also endeavor to conduct all Mercy Corps operations in a manner consistent with NGO sector best practices and standards as well as Mercy Corps' own policies and procedures. In addition, the Mercy Corps annual planning process will include appropriate program and financial staff of MCNL and will be conducted in light of the agreed strategic objectives. It is understood that Mercy Corps will seek a diversified funding portfolio.

5.2 With respect to all programs which will receive funding through MCNL, MCG shall:

5.2.1 Consult with MCNL regarding budget and staffing;

5.2.2 Ensure sufficient monitoring is undertaken of project implementation and results, provide internal audit functions, provide information as requested for the proper financial recordkeeping and reporting and compliance with the corporate and charity law, agency personnel and operating policies and all grant terms and conditions;

5.2.3 Coordinate resources to assist with the drafting of project proposals for MCNL;

5.2.4 Provide technical assistance and day-to-day operational and headquarters support for all MCNL funded Projects; and

5.2.5 Recruit, orient and supervise all staff employed in country offices.

6. Finances

6.1 The Parties shall strive to implement all plans for MCNL Projects within the approved budgets.

6.2 The Parties will keep each other fully informed concerning any developments which may necessitate any significant changes in MCNL Project design, particularly




changes in the goals and objectives, activities, the implementation schedule or the allocation of funds.

- 6.3 Subject to Paragraph 3.7 and 3.8 above, MCG will assume any of MCNL's financial liabilities that might arise from donor disallowances.
- 6.4 The Parties will agree upon a schedule of the financial information (which will be regularly updated) that is required to be shared between the Parties. MCE will share the required information for both MCE and MCNL activities with MCG.


7. Additional Matters

- 7.1 After the date of this MOU, the Parties shall execute such documents and perform such acts as may be reasonably required to give full effect to this MOU.
- 7.2 No amendment or other modification of this MOU will be valid or binding on any of the Parties unless it is produced in writing and signed by all Parties.
- 7.3 No Party shall assign its rights or delegate the performance of its duties under this MOU without the prior written consent of the other two Parties.
- 7.4 No third-party shall acquire any rights or benefits under this MOU.
- 7.5 Any of the Parties to this MOU may terminate this MOU by giving at least 180 days' advance notice, not to be exercised unreasonably. Notices shall be in writing and may be delivered by email, facsimile, certified mail, air courier, or messenger to the Company Secretary. Notwithstanding such expiry or termination notice, the terms and conditions of this MOU will continue to govern the operational management of all existing projects.


As agreed by the duly authorized parties as of this 28th day of June, 2018:



Chair
Mercy Corps Europe
Date: 28 June 2018



Chair
Mercy Corps Global
Date: 28th JUNE, 2018



Chair
Mercy Corps Netherlands
Date: 28th June 2018



ADDENDUM TO GOVERNANCE AGREEMENT BETWEEN MERCY CORPS GLOBAL (MCG)
AND MERCY CORPS EUROPE (MCE) DATED JULY 1, 2015 AND ADHERENCE THERETO OF
MERCY CORPS NETHERLANDS (MCNL)

EFFECTIVE: JULY 1, 2018

This Addendum and Adherence Agreement is entered into between Mercy Corps Global (MCG), a Washington non-profit corporation, Mercy Corps Europe (MCE), a non-profit company limited by guarantee organized under the Scottish charity laws, and Mercy Corps Netherlands (MCNL), an Association organized under the laws of The Netherlands and registered as a public benefit organisation (Algemeen Nut Beogende Instelling-ANBI) with the Netherlands tax authorities. If and to the extent that any provision of this Addendum and Adherence Agreement conflicts with any other agreement between the parties, or with any provision of the charter or by-laws of any of the parties, the terms of this Addendum and Adherence Agreement control and the agreement, charter or bylaws shall be amended to conform to the terms of this Agreement.

MCG, MCE, and MCNL, by and through their respective boards of directors, agree as follows:

1. MCG and MCE reaffirm the Governance Agreement dated July 1, 2015 (GA).
2. MCNL agrees to adhere to the terms of the GA in accordance with the provisions of this Addendum and Adherence Agreement.
3. MCG and MCE agree to accept MCNL as a party to the GA in accordance with the provisions of this Addendum and Adherence Agreement.
4. The voting members of MCG and MCE as provided in Section 1 of the GA shall be the voting members of MCNL. Of the nine members five also serve as directors of MCE (the CEO, the Chair of MCG, the Chair of MCE and the two at large members appointed by MCE.) The members shall elect or re-elect by majority vote the directors to fill open positions on the board of MCNL. A majority vote shall mean both a majority vote of all nine members and a majority vote of all members who are directors of MCE. The board of MCNL shall nominate candidates for such open positions. The members can elect such a candidate, or decide not to elect such a candidate. In the event the members decide not to elect such a candidate, the MCNL Board shall nominate another candidate. The provisions of Section 2 of the GA shall apply to actions of the members relating to MCNL.
5. The Chair of MCE will serve ex officio with full voting power on the Board of MCNL; the Chair of MCNL will serve ex officio with full voting power on the Board of MCE; the CEO will serve ex officio with full voting power on the Boards



of MCNL, MCE and MCG. In addition the Board of MCNL shall include, not later than July 1, 2020, not less than three (3) European Union persons with no current affiliation with MCG or MCE. Not later than July 1, 2020 the MCNL Board shall elect one of the non-affiliated directors as Chair of MCNL.

6. To the extent feasible meetings of the MCNL Board shall be held concurrently with meetings of the MCE Board.
7. MCNL agrees to appoint the CEO of MCG and MCE as its CEO pursuant to the provisions of Section 4 of the GA.
8. The Executive Director (ED) of MCNL will be appointed by the MCNL Board subject to the approval of the CEO and the MCE ED, and will be the principal manager of MCNL reporting to both the ED of MCE and the MCNL Board. The ED of MCNL may be the same person who is ED of MCE, and in that case will be employed by MCE. All other executive officers and technical leads of MCNL will be appointed by the MCNL ED, with the approval of the MCE ED. The CEO may, but is not required to, appoint any MCNL personnel to the global Executive Team.

Chair, Mercy Corps Global

Chair, Mercy Corps Europe

Chair, Mercy Corps Netherlands

GOVERNANCE AGREEMENT
BETWEEN
MERCY CORPS GLOBAL (MCG)
AND
MERCY CORPS EUROPE (MCE)
EFFECTIVE: JULY 1, 2015

This Governance Agreement is entered into between Mercy Corps a/k/a Mercy Corps Global (“MCG”), a Washington non-profit corporation, and Mercy Corps Europe f/k/a Mercy Corps Scotland (Scottish Charity Number SC030289, Company Number 208829) (“MCE”), a non-profit company limited by guarantee organized under the Scottish charity laws. This Governance Agreement supplements the Memorandum of Understanding dated April 14, 2005, the First Amendment to Memorandum of Understanding dated September 22, 2009, and the Intellectual Property Agreement dated April 14, 2005, all of which remain in full force and effect. If and to the extent that any provision of this Governance Agreement conflicts with any provision of the other agreements, or conflicts with any provision of the charter or by-laws of either entity, the terms of this Governance Agreement control and the charter or bylaws shall be amended to conform to the terms of this agreement.

MCG and MCE, by and through their respective boards of directors¹, agree as follows:

1. Members and Directors.

a. MCG shall amend its Articles and Bylaws to become a member corporation. MCE already is a member company, limited by guarantee. The following persons shall become the initial members of each, as of the effective date of this Governance Agreement: Adrienne Airlie, Jock Encombe, Allen Grossman, Neal Keny-Guyer, David Mahoney, Linda Mason, Tom Murray, Robert Newell, and Melissa Waggner Zorkin. Any current member of MCE not listed above shall resign as a member. The initial members shall serve until the 2016 annual meeting of MCG and MCE and until their successors are elected. At the 2016 annual meeting, and at each subsequent annual meeting of both MCG and MCE, the members shall consist of those persons currently serving on the Joint Board Executive Committee (JBEC).

b. The members shall elect or re-elect by majority vote the directors to fill open positions on the boards of MCG and MCE. The boards of MCG and MCE shall nominate candidates for such open positions. The members can elect such a candidate, or decide

¹ The term “board of directors” includes the term “council” as used in the MCE Articles of Association and the MCE Memorandum of Association.

not to elect such a candidate. In the event the members decide not to elect such a candidate, the respective Board shall nominate another candidate. The Chair of MCG will serve ex officio with full voting power on the Board of MCE; the Chair of MCE will serve ex officio with full voting power on the Board of MCG; the CEO will serve ex officio with full voting power on the Boards of both MCG and MCE.

2. Super Majority Requirements. MCG and MCE agree that each shall provide in its charter and bylaws, as appropriate, that the following actions will require a 75% vote of members:

- a. Removal of a Director of either MCG or MCE;
- b. Merger or acquisition of another entity;
- c. Dissolution of either MCG or MCE;
- d. Amendment to the charter or bylaws of either MCG or MCE that would affect members' powers;
- e. Amendment to the charter or bylaws that would alter the statement of mission of either MCG or MCE; and
- f. Amendment to this Governance Agreement. Any such amendment shall first be approved by both the boards of MCG and MCE prior to submission to the members.

3. Joint Board Executive Committee.

a. MCG and MCE shall each provide in their respective bylaws and/or charters, as appropriate, for a Joint Board Executive Committee (JBEC) to include the Board Chair of MCG, the Board Chair of MCE, the CEO, four at-large members of the Board of MCG to be selected by the Board of MCG, and two at-large members of the Board of MCE to be selected by the Board of MCE.

b. The JBEC shall exercise the full power of the Board of MCG and of the Board of MCE in the management of each during periods of adjournment of the respective Boards as delegated to the JBEC by the respective Boards. When acting on behalf of MCG only the directors on the JBEC who are also voting directors of the MCG Board may vote on such action on behalf of MCG. When acting on behalf of MCE only the directors on the JBEC who are also voting directors of the MCE Board may vote on such action on behalf of MCE. Any action of the JBEC on behalf of MCG or MCE that requires Board approval must be submitted to the respective Board for approval at the next Board meeting.

c. A majority of the JBEC shall constitute a quorum for the transaction of business, and a majority of a quorum shall be an action by the JBEC.

d. The JBEC shall keep written minutes of its meetings.

4. Chief Executive Officer. Attached hereto as Exhibit A is a chart reflecting the intended governance structure for MCG and MCE. That chart contemplates that MCG and MCE will each appoint the same individual as Chief Executive Officer (CEO) of both MCG and MCE. Recognizing that their funding and operations are integral one with the other, MCG and

MCE acknowledge the desirability of each having the same person serve as CEO of both MCG and MCE. To that end, the process for selecting the CEO shall be as follows:

a. The current CEO of MCG is Neal Keny-Guyer. The board of MCE is fully familiar with Mr. Keny-Guyer who has served as a member of the MCE Board for many years. MCE agrees to appoint Mr. Keny-Guyer as its CEO effective July 1, 2015 for a term of one year. MCG agrees to renew its appointment of Mr. Keny-Guyer as its CEO effective July 1, 2015 for a term of one year.

b. The Board of Directors of MCG and the Board of Directors of MCE shall each review the performance of Mr. Keny-Guyer as CEO annually. For so long as both boards vote to re-appoint Mr. Keny-Guyer as CEO and he agrees to serve in that position he shall remain as CEO for both MCG and MCE.

c. In the event that one or both boards of MCG and MCE determine not to re-appoint Mr. Keny-Guyer as CEO, or if Mr. Keny-Guyer dies, resigns, retires, or becomes disabled such that he cannot continue to serve as CEO, MCG and MCE agree to use their best efforts to reach agreement on a successor acceptable to both MCG and MCE. The JBEC shall constitute a joint search committee and shall conduct an appropriate search to identify suitable candidates for the position. The JBEC shall nominate a candidate for CEO for the consideration of the respective boards of MCG and MCE.

d. In the event a candidate nominated by the JBEC is not approved by both the Board of MCG and the Board of MCE the JBEC shall resume its search and nominate another candidate until a candidate is nominated that is approved by both boards.

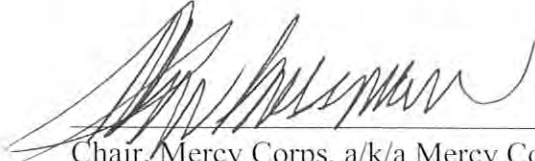
e. In the event that after good faith effort it is determined by the JBEC that a candidate acceptable to both boards is not identified, the MCG Board shall proceed to appoint a CEO acceptable to MCG, and the position of CEO of MCE will remain vacant until MCE's Board appoints the MCG CEO as MCE's CEO, or a nominee acceptable to both is identified. During the period of any vacancy in the position of CEO of MCE the MCE Executive Director will be the senior manager of MCE and report both to the MCE Board and to the MCG CEO.

f. The term of the CEO shall be for one year. The Board of Directors of MCG and the Board of Directors of MCE shall each review the performance of the CEO annually. In the event that one or both boards of MCG and MCE determines not to re-appoint the current CEO, or if the current CEO dies, resigns, retires or becomes disabled such that he/she cannot continue to serve as CEO, MCG and MCE agree to use their best efforts to reach agreement on a successor acceptable to both MCG and MCE and to follow the process provided above.

5. Other Officers. MCE traditionally has had an Executive Director who has reported to the MCE Board. The MCE Executive Director will be appointed by the MCE Board subject to the approval of the CEO, and will be the principal manager of MCE reporting to both

the CEO and the MCE Board. All other executive officers and technical leads of MCG and MCE will be appointed by the CEO, with any from MCE approved by the MCE Executive

Director. The CEO will determine which officers shall constitute the Executive Team. Members of the Executive Team can be from either MCG or MCE, and can reside anywhere. The Executive Director of MCE shall be a member of the Executive Team.

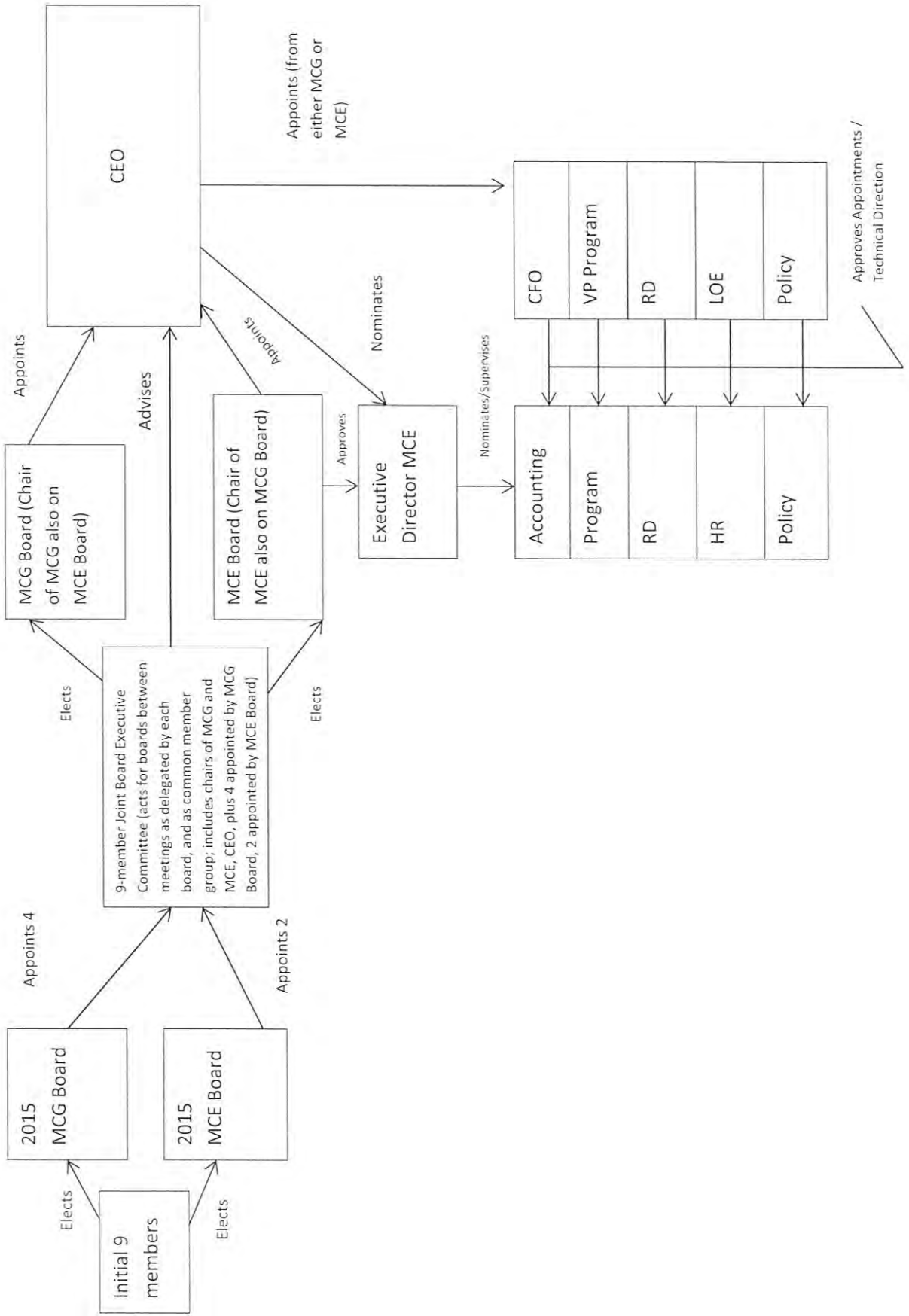


Chair, Mercy Corps, a/k/a Mercy Corps Global
a Washington non-profit corporation



Chair, Mercy Corps Europe, a non-profit
company limited by guarantee organized under
the Scottish charity laws

EXHIBIT A



THE COMPANIES ACTS 1985 TO 2006
COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL
MEMORANDUM OF ASSOCIATION
of
MERCY CORPS EUROPE

- I The Company's name is "Mercy Corps Europe" (hereinafter "the Company").
- II The Company's registered office is to be situated in Scotland.
- III (1) The objects of the Company are:-
- (a) the relief of poverty;
 - (b) the advancement of health;
 - (c) the advancement of community development;
 - (d) the saving of lives;
 - (e) the advancement of human rights, conflict resolution or reconciliation; and
 - (f) the advancement of environmental protection
- BY
- i. helping people build secure, productive, and just communities across the globe;
 - ii. providing international relief, development and economic opportunity to meet the needs of the poor around the world, with a special emphasis on support to countries in transition, refugees and world hunger;
 - iii. educating and informing the public as to the causes of chronic poverty, conflict, suffering, homelessness, hunger and injustice;

- iv. providing and inspiring innovative, sustainable solutions to climate change and the global challenges arising out of chronic poverty, conflict, suffering, homelessness, hunger and injustice; and
- v. empowering people to better manage their differences, learn skills that promote peace, and achieve lasting, positive change.

(2) The Company shall have the following powers exercisable in furtherance of its said objects but not otherwise, namely:-

- 2.1 to accept, whether or not subject to any trust purposes or conditions, subscriptions, donations, legacies and bequests;
- 2.2 to purchase, feu, take on lease or in exchange, hire or otherwise acquire and hold any heritable or moveable, real or personal property;
- 2.3 to construct, maintain, improve, develop, exchange, let on lease or otherwise dispose of, mortgage, charge, sell, deposit, turn to account, grant licenses, options, rights and privileges in respect of or otherwise deal with all or any part of the property of the Company;
- 2.4 to insure, put and keep in good repair, improve, alter and restore any heritable property which may belong to the Company or which the Company may use in furtherance of its charitable objects;
- 2.5 to use, invest and deal with the monies of the Company not immediately required upon such investments, securities or property in such manner as the Company may from time to time determine;
- 2.6 to borrow or raise money for the objects of the Company on such terms and on such security as may be thought fit;
- 2.7 to make loans on such terms and on such security as may be thought fit and to enter into guarantees and indemnities of any kind;
- 2.8 to draw, make, accept, endorse, discount and execute and issue promissory notes, bills, cheques and other instruments, and to operate bank accounts;
- 2.9 to employ or otherwise engage such officers and staff as may be thought fit and to pay reasonable remuneration to such staff and any technical and professional advisers;
- 2.10 to print, publish, issue and/or distribute, or procure that the same be done by someone else, gratuitously or otherwise, such books, pamphlets, newspapers, periodicals, leaflets, advertisements or other literature and to

- compile, write, edit and otherwise produce materials, the activities being in furtherance of the objects of the Company, as the Company considers necessary;
- 2.11 to issue appeals, hold public meetings and take such other steps as may be required for the purpose of procuring contributions to the funds of the Company in the shape of donations, subscriptions or otherwise;
- 2.12 to make any charitable donation either in cash or assets for the furtherance of the objects of the Company;
- 2.13 to undertake and execute charitable trusts;
- 2.14 to hold exhibitions, meetings, lectures and classes, either alone or with others;
- 2.15 to amalgamate with companies, institutions and societies or associations which shall be charitable at law and have objects identical or broadly similar to those of the Company and which prohibit the payment of any dividend or profit to and the distribution of any of their assets amongst their members at least to the same extent as such payments or distributions are prohibited in the case of members of the Company by this Memorandum of Association;
- 2.16 to subscribe to, become a member of, or amalgamate or co-operate with, any other charitable organisation, institution, society or body not formed or established for the purposes of profit (whether incorporated or not) in the United Kingdom whose objects are wholly or in part similar to those of the Company and which by its constitution prohibits or restricts the distribution of its income and property amongst its members to an extent at least as great as is imposed on the Company and to transfer part or all of the property of the Company to any such organisation with which the Company is authorised to amalgamate;
- 2.16A to co-operate with any other charitable organisation, institution, society or body not formed or established for the purposes of profit (whether incorporated or not) wherever established whose objects are wholly or in part similar to those of the Company and which by its constitution prohibits or restricts the distribution of its income and property amongst its members to an extent at least as great as is imposed on the Company;

- 2.17 to establish and support or aid in the establishment and support of any charitable trust, association or institution and to donate, subscribe or guarantee money for charitable purposes in any way connected with or calculated to further any of the objects of the Company;
- 2.18 to receive, allocate and administer grants, gifts or bequests made available to the Company for any or all of its objects whether from public funds or from private sources under the terms and conditions referable to such grants, gifts or bequests;
- 2.19 to insure and arrange insurance cover for and to indemnify the Company's office bearers, employees and all others acting within the authority of the Company against all such risks as the Company shall think fit and which are incurred in the course of the performance of official duties and to pay the cost of such insurance out of the funds of the Company including, for the avoidance of doubt power to purchase Trustee Indemnity Insurance in the terms permitted by the 2005 Act;
- 2.20 to pay reasonable annual sums or premiums for or towards the provision of pensions for such employees for the time being of the Company or their dependents as may be so nominated and as may from time to time be determined by the Company;
- 2.21 to apply for, promote and obtain any private Act of Parliament whether of the Scottish Parliament or otherwise, or any order or licence of the Department of Trade & Industry, Department of the Environment or any other government department or authority for enabling the Company to carry any of its objects into effect or for effecting any modification of the Company's constitution or for any other purpose which may seem calculated directly or indirectly to promote the Company's interests and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the Company's interests;
- 2.22 to enter into any arrangements with any Government or authority which may seem conducive to the attainment of the Company's objects or any of them and to obtain from any such Government or authority any charters, decrees, rights, privileges or concessions which the Company may think desirable and to carry out, exercise and comply with any such charters, decrees, rights, privileges and concessions;

- 2.23 to control, manage, finance, subsidise, co-ordinate or otherwise assist any company or companies in which the Company has a direct or indirect financial interest; to provide secretarial, technical, commercial and other services and facilities of all kinds for any such company or companies and to make any other arrangements which may seem desirable with respect to any business or operations of or generally with respect to any such company or companies;
- 2.24 to promote any other company for the purpose of acquiring the whole or any part of the property, undertaking or any of the liabilities of the Company or of undertaking any operations which may appear likely to assist or benefit the Company and to enhance the value of any property of the Company and to place or guarantee the placing of, underwrite, subscribe for or otherwise acquire all or any part of the shares or securities of any such company as aforesaid;
- 2.25 to pay out of the funds of the Company the costs, charges and expenses of and incidental to the formation and registration of the Company;
- 2.26 to create advisory councils or committees to advise the Company on particular aspects of the objects of the Company or any of them the constitution and continuation of such advisory councils or committees to be at the discretion of the Company;
- 2.27 to do all such other lawful things as are necessary for or as shall further the attainment of the objects of the Company or any of them.
- IV The income and property of the Company shall be applied solely towards the promotion of its objects as set out in these presents and no part of such income and property shall be paid or transferred directly or indirectly, by way of dividend, bonus or otherwise by way of profit to Members of the Company. Any remuneration or other benefit in money or money's worth payable to any Director from the Company under these presents shall be subject to the provisions of the 2005 Act.
- V The liability of the members is limited.
- VI Every member of the Company undertakes to contribute to the assets of the Company in the event of the same being wound up during the time that he is a member, or within one year

afterwards, for payment of the debts and liabilities of the Company contracted before the time at which he ceases to be a member, and of the costs, charges and expenses of winding up the same, and for the adjustment of the rights of contributories themselves, such amount as may be required, not exceeding £1.

VII If upon the winding up or dissolution of the Company there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the members of the Company, but shall be given or transferred to some other charitable institution or institutions having objects similar to the Company and which shall prohibit the distribution of its or their income and property amongst its or their members to an extent at least as great as is imposed on the Company under or by virtue of Clause IV hereof such institution or institutions to be determined by the members of the Company at or before the time of the dissolution, and if and so far as effect cannot be given to the foregoing provisions, then to some other charitable object.

VIII In these presents, the expressions 'charitable purpose' or 'charitable object' shall mean a charitable purpose under section 7 of the 2005 Act which is also regarded as a charitable purpose in relation to the application of the Taxes Acts and a 'charitable institution' shall mean a charity in terms of the 2005 Act which is also regarded as a charity in relation to the application of the Taxes Acts, or a charity under the law of any other jurisdiction which is also regarded as a charity in relation to the application of the Taxes Acts, provided that nothing in these presents shall authorise an application of the property of the Company other than in furtherance of a charitable purpose.

WE, the several persons whose names and addresses are subscribed are desirous of being formed into a company, in pursuance of this Memorandum of Association.

NAMES AND ADDRESSES OF SUBSCRIBERS:

R Worthing-Davies

.....
RICHARD WORTHING-DAVIES
11 Grovelands Avenue
SWINDON
SN1 4ET

Dated this 27th day of June 2000

Witness to the above signature

J N W Musson

.....
JOHN NICHOLAS WHITAKER MUSSON
47 Spylaw Road
EDINBURGH
EH10 5BP

Dated this 29th day of June 2000

Witness to the above signature

C A Maidment

Witness

Evelyn Keddie

Witness

Carol Ann Maidment

Full Name

Evelyn Keddie

Full Name

4 Coventry Close,

Address

Turcan Connell

Address

Wroughton, Swindon

Saltire Court, 20 Castle Terrace

Wiltshire

Edinburgh

THE COMPANIES ACTS 1985 TO 2006

**COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL**

ARTICLES OF ASSOCIATION

of

MERCY CORPS EUROPE

Adopted by special resolution on 17th April 2020

COMPANIES ACTS 1985 TO 2006

**COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL**

ARTICLES OF ASSOCIATION

of

MERCY CORPS EUROPE

PRELIMINARY

- 1.1 The regulations contained in Table C in The Companies (Tables A to F) Regulations 1985 and the Model Articles under the Companies Act 2006 shall not apply to the Company.
- 1.2 In these presents, if not inconsistent with the subject or context, the words set out in the first column of the table below shall bear the meanings set opposite to them respectively in the second column thereof.

| WORDS | MEANINGS |
|--------------|--|
| | |
| The Act | the Companies Act 1985 to 2006 and every other Act for the time being in force concerning companies and affecting the Company. |
| | |
| The 2005 Act | The Charities and Trustee Investment (Scotland) Act 2005. |
| | |
| The Board | The Board of Directors for the time being of the Company. |
| | |
| Chairman | The person appointed to chair a General Meeting or a meeting of the Board in accordance with Articles 11 and 39 respectively. |
| | |
| The Company | Mercy Corps Europe. |

| | |
|---------------------------------|--|
| | |
| clear days | In relation to a period of notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is to take effect. |
| | |
| electronic means | Communications addressed to specified individuals by telephone, fax or e-mail or, in relation to meetings, by telephone conference call or video conference. |
| | |
| in writing | Written or produced by any substitute for writing, including by electronic means or partly one and partly another. |
| | |
| Joint Board Executive Committee | The Joint Board Executive Committee established pursuant to Article 41. |
| | |
| Mercy Corps Global | A Washington non-profit corporation having its registered office at DWT Washington LLC, 1201 Third Avenue, Suite 220, Seattle, Washington 98101 a. |
| | |
| month | Calendar month. |
| | |
| Office | The registered office of the Company. |
| | |
| these presents | these Articles of Association as from time to time altered by special resolution of the Members. |
| | |
| Seal | the Common Seal of the Company. |

| | |
|--------------------|-------------------------------------|
| | |
| the United Kingdom | Great Britain and Northern Ireland. |
| | |
| year | Calendar year. |

- 1.3 The expression "Secretary" shall include any person appointed in accordance with these presents to carry out the duties of the Secretary, including a temporary or Assistant Secretary.
- 1.4 Any words importing the singular number only shall include the plural number and vice versa.
- 1.5 Words importing the masculine gender only shall include the feminine gender and words importing persons shall include corporations.
- 1.6 Save as aforesaid, any words or expressions defined in the Act shall, if not inconsistent with the subject or context, bear the same meaning in these presents.

MEMBERS

2. Each member of the Company shall be known as a "Member" and the term "Membership" shall be construed accordingly. The number of Members of the Company shall not be less than two. The Board shall keep a register of Members in terms of the Act, setting out the full name and address of each Member, the date on which he was admitted to Membership, and the date on which any person ceases to be a Member.
3. (a) The Members of the Company shall be such persons as serve from time to time on the Joint Board Executive Committee.
- (b) Membership shall not be transferable and shall cease:-
- (i) on death; or
 - (ii) on the Member ceasing to be a member of the Joint Board Executive Committee.

GENERAL MEETINGS

4. An Annual General Meeting shall be held once in every calendar year, at such time and place as may be determined by the Board. All other General Meetings shall be called General Meetings.
5. The Board may, whenever they think fit, and shall on requisition in accordance with the Act, proceed to convene a General Meeting. A General Meeting may be held either in person or by suitable electronic means agreed by the Members in which all participants may communicate with all other participants.
6. An Annual General Meeting and any General Meeting shall be called by a minimum of fourteen days' notice in writing at least, exclusive in either case of the day on which the notice is served or deemed to be served and of the day for which it is given. Provided that a General Meeting shall, notwithstanding that it is called by shorter notice than as aforesaid, be deemed to have been duly called if it is so agreed by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than 90 per cent of the total voting rights at that meeting of all the members. The accidental omission to give notice to, or the non-receipt of notice by, any person entitled to receive notice shall not invalidate the proceedings at any General Meeting.
7. Every notice calling a General Meeting shall specify the place and the day and hour of the meeting and in the case of an Annual General Meeting shall also specify the meeting as such. If other than routine business is to be transacted, the notice shall specify the general nature of such business; and, if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.
8. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:-
 - (a) considering and adopting the balance sheet and income and expenditure account and reports of the Board and the Auditors, and other related documents;
 - (b) appointing and fixing remuneration of the Auditors; and
 - (c) appointing Directors of the Board in the place of those retiring.

PROCEEDINGS AT GENERAL MEETINGS

9. No business shall be transacted at any General Meeting unless a quorum is present in person or by proxy when the meeting proceeds to business; save as herein otherwise provided or unless otherwise determined by Annual General Meeting four in number of the members entitled to receive notice of and vote at meetings present in person shall be a quorum three of whom must be the members elected or appointed to the Joint Board Executive Committee in terms of Article 41(b)(ii)(A) and (B) declaring that the said members elected or appointed to the Joint Board Executive Committee in terms of Article 41(b)(ii)(A) and (B) must be in favour of any resolution appointing Directors of the Board in place of those retiring in accordance with Article 8(c) put to the vote in terms of these presents.
10. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of the members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such other time and place as the Board may determine and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present shall be a quorum.
11. The Chairman shall preside at every General Meeting. If the Chairman is not present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose a Director to act as Chairman of that meeting. If at any meeting no Director is willing to act as Chairman or, if no Director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their number to be the Chairman of that General Meeting.
12. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. It shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting

(except where the meeting has been adjourned for 30 days or more when notice of the adjourned meeting shall be given as in the case of an original meeting).

13. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:-
- (a) the Chairman; or
 - (b) not less than two members present in person or by proxy having the right to vote at the meeting; or
 - (c) any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.

A demand for a poll may be withdrawn. Unless a poll be so demanded (and the demand be not withdrawn) a declaration by the Chairman that a resolution has been carried, or carried unanimously, or by a particular majority or lost, or not carried by a particular majority, and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

14. If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the resolution unless it be pointed out at the same meeting, or at any adjournment thereof, and not in that case unless it shall, in the opinion of the Chairman to be of sufficient magnitude to vitiate the resolution.
15. If a poll is duly demanded (and the demand is not withdrawn) it shall be taken in such manner as the Chairman may direct, and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.
16. In the case of an equality of votes at a general meeting, whether on a show of hands or on a poll, the Chairman shall be entitled to a second or casting vote.

17. A poll demanded on the election of the Chairman or on the question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such time and place as the Chairman directs, and any business other than that upon which the poll has been demanded may be proceeded with pending the taking of the poll. No notice need be given of a poll not taken immediately.
18. Subject to the provisions of the Act, a written resolution (whether an ordinary or a special resolution) shall be as valid and effective as if the same had been passed at a General Meeting duly convened and held. For this purpose, the written resolution may be set out in more than one document.

VOTES OF MEMBERS

19. Where in Scotland or elsewhere a curator bonis, trustee or receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, or incapacity the Board may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Board may require, permit such curator bonis, trustee or receiver or other person on behalf of such member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.
20. Every member shall have one vote except as otherwise provided in these presents. On a poll votes may be given either personally or by proxy. On a show of hands, a member present only by proxy shall have no vote but a proxy for a corporation may vote on a show of hands. A proxy need not be a member of the Company.
21. An instrument appointing a proxy shall be in writing and (A) in the case of an individual, shall be signed by the appointor or his attorney, and (B) in the case of a corporation shall be either under its common seal or signed by its attorney or by an officer on its behalf. The Board may, but shall not be bound to, require evidence of the authority of any such attorney or officer.

22. An instrument appointing a proxy must be left at the Office or such other place (if any) as is specified for that purpose in the notice convening the meeting not less than forty-eight hours before the time for holding the meeting or adjourned meeting (or, in the case of a poll, before the time appointed for the taking of the poll) at which it is to be used and in default shall not be treated as valid.
23. An instrument appointing a proxy may be in the usual common form, or in such other form as the Board may accept, and shall be deemed to confer authority to demand or join in demanding a poll. It need not be witnessed and shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates.
24. A vote given by proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the instrument of proxy was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office before the commencement of the meeting or adjourned meeting or poll at which the vote is given.

THE BOARD

25. Until otherwise determined by a General Meeting, the number of Directors shall not be less than six and not more than twenty.
26. The Board shall, subject to Article 25, comprise:-
 - (i) such persons as the Company may elect in terms of Article 8; and
 - (ii) the chairman of Mercy Corps Global and the chief executive officer of Mercy Corps Global as members of the Board *ex officio*.
27. The Company may from time to time and at any time appoint any person as a Director either to fill a casual vacancy or by way of addition to the Board, provided that (1) the prescribed maximum is not thereby exceeded and (2) the said members elected or appointed to the Joint Board Executive Committee in terms of Article 41(b)(ii)(A) and (B) must be in favour of any such

appointment. Any member so appointed shall retain his office only until the next Annual General Meeting, but he shall then be eligible for re-election.

ROTATION OF MEMBERS OF THE BOARD

28. At each Annual General Meeting, one-third of the Directors (excluding Directors appointed under Article 26(i)) for the time being, or if their number is not a multiple of three then the number nearest to one-third, shall retire from office.
29. The Directors to retire shall be those who have been longest in office since their last election or appointment declaring for the avoidance of doubt that, in calculating the length of time a Director has been in office, regard shall be had to any length of time a Director was in office before the date of adoption of these Articles. As between members of equal seniority, the Directors to retire shall in the absence of agreement be selected from among them by lot. The length of time a Director has been in office shall be computed from his last election or appointment. A retiring Director of the Board shall be eligible for re-election.
30. The Company may, at the meeting at which a Director retires in manner aforesaid, fill up the vacated office by electing a person thereto, and in default the retiring Director shall, if offering himself for re-election, be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office, or unless a resolution for the re-election of such Director shall have been put to the meeting and lost.
31. No person not being a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to membership of the Board at any General Meeting, unless within the prescribed time before the day appointed for the meeting there shall have been given to the Secretary notice in writing, by some member duly qualified to be present and vote at the meeting for which such notice is given, of his intention to propose such person for election, and also notice in writing, signed by the person to be proposed, of his willingness to be elected. The prescribed time above mentioned shall be such that, between the date when the notice is served, or deemed to be served, and the day appointed for the meeting there shall be not less than four nor more than twenty-eight intervening days.

32. The Company may, from time to time, in General Meeting increase or reduce the number of Directors, and determine in what rotation such increase or reduced number shall go out of office, and may make the appointments necessary for effecting any such increase.
33. The Company may by Ordinary Resolution, for which special notice is not required, remove any Director before the expiration of his period of office, and may by an Ordinary Resolution appoint another qualified member in his stead; but any person so appointed shall retain his office so long only as the Director in whose place he is appointed would have held the same if he had not been removed.

DISQUALIFICATION OF DIRECTORS

34. The office of a Director shall be vacated in any of the following events, namely:-
 - (a) if he resigns by notice in writing to the Company at the Office; or
 - (b) if he shall enter into an arrangement with his creditors or become apparently insolvent;
or
 - (c) if in Scotland or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a curator bonis or a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs; or
 - (d) if he is prohibited by law from being a Director or ceases to hold office by virtue of any provision of the Act or any statutory modification or re-enactment thereof or if he is disqualified from acting as a charity trustee in terms of the 2005 Act; or
 - (e) if he is removed from office by resolution passed by a majority of 75% of the other members of the Board on the ground that he is considered to have been in serious or persistent breach of his duties under section 66(1) or (2) of the 2005 Act.

PROCEEDINGS OF THE BOARD

35. The Board may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a

majority of votes, and in the case of an equality of votes the Chairman shall have a second or casting vote.

36. Any Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Board. It shall not be necessary to give notice of a meeting of the Board to any Director thereof for the time being absent from the United Kingdom.
37. The quorum necessary for the transaction of the business of the Board may be fixed by the Board, and unless so fixed at any other number, shall be not less than four Directors. A meeting of the Board at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Board.
38. The continuing Directors may act notwithstanding any vacancies, but, if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these presents, the continuing Directors may act for the purpose of filling up such vacancies or of summoning General Meetings of the Company, but for no other purpose. If there be no Director able or willing to act, then any two members of the Company may summon a General Meeting for the purpose of appointing Directors.
39. The Board may elect a Chairman from among their number and determine the period for which he is to hold office. If no Chairman is appointed, or if at any meeting the Chairman is not present within fifteen minutes after the time appointed for holding a meeting of the Board, the Directors present may choose one of their number to be Chairman.
40. A resolution in writing signed by all the Directors shall be as effective as a resolution passed at a meeting of the Board duly convened and held, and may consist of several documents in the like form, each signed by one or more of the Directors.
41. (a) The Board may delegate any of their powers to any committee consisting of such number of Directors and such other persons as the Directors shall at a meeting of Board think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on them by the Board.

- (b) (i) The Joint Board Executive Committee shall, subject to these presents, exercise the powers of the Board in the dispatch of the business of the Company in furtherance of a Governance Agreement entered into between the Company and Mercy Corps Global. Any business relating solely to the Company shall be reserved to those members of the Joint Board Executive Committee elected or appointed by the Company in subparagraphs (ii)(A) and (B) of this Article.
 - (ii) The Joint Board Executive Committee shall consist of:-
 - (A) The Chairman;
 - (B) Up to 2 Directors of the Company appointed by the Board;
 - (C) the chairman of Mercy Corps Global and the chief executive officer of Mercy Corps Global; and
 - (D) Up to 4 Directors of, and appointed by, Mercy Corps Global.
 - (iii) Any proposed act of the Joint Board Executive Committee which requires approval of the Board must be submitted to the Board for such approval at the next meeting of the Board.
 - (iv) Members of the Joint Board Executive Committee shall be appointed for up to a period of one year and shall thereafter be eligible for re-appointment.
 - (v) The quorum necessary for the transaction of the business of the Joint Board Executive Committee shall be a majority of those elected or appointed to it.
 - (vi) The continuing members of the Joint Board Executive Committee may act notwithstanding any vacancies, but, in the event that a vacancy arises, the Board or Mercy Corps Global as the case may be shall use their best endeavours to fill such a vacancy as soon as possible thereafter. All vacancies must be filled prior to a General Meeting other than a General Meeting called for the purpose of filling a vacancy.
42. The meetings and proceedings of any committee shall be governed by the provisions of these presents regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations made by the Board. Provided that no resolution of any committee shall be effective unless a majority of the members of the committee at the meeting are Directors or unless such resolution is approved by the Board.

43. All acts done by any meeting of the Board or a committee thereof, or by any person acting as the Board or as a member of a committee, shall as regards all persons dealing in good faith with the Company, notwithstanding that there was some defect in the appointment or continuance in office of any Director or member of a committee or person acting as such or that any such member or person was disqualified or had vacated office or was not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or a member of a committee and had been entitled to vote.
44. Any one or more (including without limitation, all) of the Directors or the members of a committee may participate in a meeting of the Board or such committee:-
- (a) by suitable electronic means allowing all persons participating in the meeting to communicate with all the other participants; or
 - (b) by a succession of telephone calls to Directors from the Chairman following disclosure to them of all material points.

Participating by such means shall constitute presence in person at a meeting. Such meeting shall be deemed to have occurred either (i) at the place where most of the Directors participating are present or, if there is no such majority, (ii) at the place where the Chairman is present.

CONFLICTS OF INTEREST

45. A Director shall be deemed to be a Conflicted Director in relation to a matter if:-
- (a) the proposed transaction or arrangement under consideration by the Company is or includes the provision of remuneration by the Company to that Director, or to a person connected to him in terms of the 2005 Act, for services provided to or on behalf of the Company;
 - (b) he has any other interest, direct or indirect (including but not limited to any personal financial interest), in any proposed transaction or other arrangement under consideration by the Company; or
 - (c) a person, firm, or limited company with whom or with which he is deemed to be connected in terms of the Act has an interest, direct or indirect, (including but not limited to any personal financial interest), in any proposed transaction or other

arrangement under consideration by the Company;

Unless:-

- (i) the proposed transaction or arrangement is not one which falls within the scope of Article 45 and is such that it cannot reasonably be regarded as likely to give rise to a conflict of interest; or
- (ii) the only benefit to him is the payment by the Company of a premium for indemnity insurance for the Company; or
- (iii) he is not aware of his interest, or he is not aware of the proposed transaction or arrangement in question, and it is not a matter of which he ought reasonably to be aware.

46 A Conflicted Director must declare the nature and extent of his interest, unless the other Directors are already aware of it or ought reasonably to be aware of it. Such declaration must be made before the proposed transaction or arrangement has been entered into by the Company, or, where it relates to an existing transaction or arrangement, as soon as is reasonably practicable, and must be made:-

- (a) at a Directors' meeting at or before the time discussion begins on the matter;
- (b) by notice in writing to the other Directors in accordance with the Act; or
- (c) by general notice in accordance with the Act.

If the declaration proves to be or becomes inaccurate or incomplete, a further declaration must be made.

47 The Company shall maintain a Register of Interests which shall be reviewed at least annually and updated as necessary, and which shall be open to inspection at any time by all Directors. Where an interest has been entered in the Register of Interests, the other Directors shall be deemed to be aware of it.

48 Subject to Articles 50 - 52, where a Director is a Conflicted Director, he must declare the nature and extent of his interest in terms of Article 46 and the interest must then be dealt with as follows:-

- (a) Other than providing any information requested, the Conflicted Director must then take no part in any discussions of the Directors, may be required by the Chairman to withdraw

from the meeting for that item, shall not be counted in the quorum for that part of the meeting, and shall take no part in any vote on the matter;

or

(b) The non-conflicted Directors may then (if they form a quorum under Article 37 or 38 and are satisfied that it is in the best interests of the Company to do so), by resolution passed in the absence of the Conflicted Director, authorise the Conflicted Director to:-

- (i) continue to participate in deliberations leading to the making of a decision and/or to vote; or
- (ii) disclose to a third party information confidential to the Company; or
- (iii) take any other action not otherwise authorised which does not involve the receipt by the Conflicted Director or a person connected to him of any payment or material benefit from the Company; or
- (iv) refrain from taking any action required to remove the conflict;

subject always to the terms of the 2005 Act and the Act.

49 For the purposes of Article 48, if a conflict of interest arises for a Director and there are insufficient non-conflicted Directors of the Company to form a quorum to vote on the matter, the quorum for the purpose of that decision only shall consist of all non-conflicted Directors of the Company notwithstanding the terms of Article 37.

50 Subject to Article 51, all business transacted by a meeting of the Board, or by a committee of Directors, shall be validly transacted notwithstanding the participation in any vote of a Director:-

- (a) who was disqualified from holding office;
- (b) who had previously retired or who had been obliged by these Articles to vacate office; or
- (c) who was not entitled to vote or be counted in the quorum on the matter, whether by reason of a conflict of interest or otherwise;

if without:-

- (i) the vote of that Director; and
- (ii) that Director being counted in the quorum;

the decision has been made by a majority of the Directors at a quorate meeting.

- 51 Article 50 does not permit a Conflicted Director or a connected person to keep any benefit that may be conferred upon him by a resolution of the Directors or of a committee of Directors if, but for Article 50, the resolution would have been void, or if the Conflicted Director has not complied with Article 46.
52. The Members may, by ordinary resolution, suspend or relax to any extent (either generally or in relation to any particular matter) the provisions of Articles 45 - 51, subject always to the 2005 Act and the Act.

POWERS OF THE BOARD

53. The business of the Company shall be managed by the Board who may pay all expenses incurred in promoting and registering the Company, and may exercise all such powers of the Company as are not, by the Act or by these presents, required to be exercised by the Company in general meeting, subject nevertheless to the provisions of the Act or these presents and to such regulation being not inconsistent with the aforesaid provisions as may be prescribed by the Company in general meeting; but no regulation made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.
54. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine.
55. The Board shall cause minutes to be made in books provided for the purpose:-
- (a) of all appointments of officers made by the Board;
 - (b) of the names of the Directors present at each meeting of the Board and of any committee of the Board;
 - (c) of all resolutions and proceedings at all meetings of the Company, and of the Board and of the committees of the Board.

SECRETARY

56. A Secretary may be appointed by the Board for such term, at such remuneration and upon such conditions as they may think fit; and any Secretary so appointed may be removed by them.
57. A provision of the Act or these presents requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as a Director and as, or in place of, the Secretary.

THE SEAL

58. The Company shall not have a Seal.

ACCOUNTS

59. Accounting records sufficient to show and explain the Company's transactions and otherwise complying with the Act shall be kept at the Office, or at such other place within Scotland as the Board thinks fit, and shall at all times be open to inspection by the Board. Subject as aforesaid no member of the Company or other person shall have any right of inspecting any account or book or document of the Company except as conferred by statute or ordered by a court of competent jurisdiction or authorised by the Board.
60. The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting records of the Company or any of them shall be open to the inspection of members not being officers of the Company, and no member (not being an officer) shall have any right of inspecting any accounting records or other book or document of the Company except as conferred by statute or authorised by the Board or by the Company in General Meeting.
61. Accounting records sufficient to show and explain the Company's transactions and otherwise complying with the Act and the 2005 Act shall be kept at the Office, or at such other place within Scotland as the Directors think fit, and shall at all times be open to inspection by the Directors.

Members and Directors shall be entitled to receive a copy of the Company's annual accounts and reports in accordance with section 423 of the Act not later than the end of the period for filing accounts and reports, or, if earlier, the date on which the Company delivers its accounts and reports to the registrar. Members of the public shall have the right to request and receive a copy of the most recent statement of account of the Company where it is reasonably requested in accordance with the 2005 Act. Subject to that, no Member of the Company or other person shall have any right of inspecting any account or book or document of the Company except as conferred by statute or ordered by a court of competent jurisdiction or authorised by the Directors.

AUDIT

62. In accordance with the provisions of the Act, at least once in every year the accounts of the Company shall be examined and the correctness of the income and expenditure account and balance sheet ascertained by one or more properly qualified Auditor or Auditors.
63. Auditors shall be appointed and the duties regulated in accordance with the provisions of the Act, the Directors being treated for all purposes as the Directors mentioned in those provisions.

COMMUNICATIONS

64. Notices and other documents to be served on Members or Directors under these presents or the Act may be served:
 - (a) by hand;
 - (b) by post; or
 - (c) by suitable electronic means.
65. The only address at which a Member is entitled to receive notices sent by post is an address in the United Kingdom shown in the register of Members.
66. Any notice given in accordance with these presents is to be treated for all purposes as having been received:
 - (a) 4 hours after being sent by electronic means or delivered by hand to the relevant address;

- (b) two clear days after being sent by first class post to that address;
- (c) three clear days after being sent by second class or overseas post to that address;
- (d) immediately on being handed to the recipient personally;
or, if earlier,
- (e) as soon as the recipient acknowledges actual receipt.

67 A technical defect in service of which the Trustees are unaware at the time does not invalidate decisions taken at a meeting.

INDEMNITY

68 Subject to the provisions of the Act and of these presents a Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto, including any liability incurred by him in defending any proceedings whether civil or criminal.

WINDING UP

69. Upon the winding up of the Company the provisions of clause VII of the Memorandum of Company shall have effect and be observed as if the same were repeated in these presents.

INDEMNITY

- 68 Subject to the provisions of the Act and of these presents a Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto, including any liability incurred by him in defending any proceedings whether civil or criminal.

WINDING UP

69. Upon the winding up of the Company the provisions of clause VII of the Memorandum of Company shall have effect and be observed as if the same were repeated in these presents.

MERCY CORPS EUROPE

Duties, Responsibilities & Liabilities of Board Members

Mercy Corps' expectations from Board Members

Board members should:

- Attend a minimum of 2 out of 3 Board meetings a year
- Travel to the field
- Contribute financially to support the work of Mercy Corps
- Mercy Corps must be one of the Board members' top three non-professional activities
- Bring a fair and open minded view to all discussions of the Board and ensure that all decisions are made in the charity's best interests

The Role of the Board

The Board's role is to:

- Ensure the charity adheres to its charitable purposes and mission
- Ensure the charity adheres to the terms of the Governance Arrangement (GA) with MCG
- Decide on major directions and policies, in conjunction with the MCG Board as applicable
- Provide accountability and ensure proper management
- Contribute advice and assistance, according to individual member's experience
- Respect the role of any staff

Duties

Statutory Duties

Directors need to be aware that they are personally subject to statutory duties in their capacity as directors. In addition, the company as a separate legal entity is subject to statutory controls and the directors are responsible for ensuring that the company complies with such statutory controls.

The Companies Act 2006 sets out seven general duties of directors, which are:

1. To act within powers in accordance with the company's constitution and to use those powers only for the purposes for which they were conferred
2. To promote the success of the company for the benefit of its members
3. To exercise independent judgement
4. To exercise reasonable care, skill and diligence
5. To avoid conflicts of interest
6. Not to accept benefits from third parties
7. To declare an interest in a proposed transaction or arrangement.

In addition, MCE is a Charity registered in Scotland and as such the Board members must ensure that MCE complies with the terms of the Charities and Trustee Investment (Scotland) Act 2005. It is regulated by the Office of the Scottish Charity Regulator (OSCR).

Responsibilities of the Board

The Board must familiarise themselves with the Objects of MCE contained in the Memorandum of Association, the Articles and the terms of the GA with MCG. They must administer MCE in accordance with these documents.

The Board must meet as often as is necessary for the proper administration of MCE.

The Board must ensure the information about the extent and location of the assets of MCE is kept up to date, and is able to access it.

The Board has power to appoint a Joint Board Executive Committee to carry out tasks on their behalf but cannot delegate the overall administration and direction of MCE.

The Board should take advice from qualified persons where they do not have the appropriate skills but must reach their own decisions in the light of advice provided.

The Board must consider the arrangements for the deposit of cash and whether it should invest surplus funds. It may appoint a Finance Committee to action its investment policy and to keep the investments under review. The Board must take advice from a properly qualified investment adviser, must consider the advice given, but may not substitute its own investment selection.

The Board are responsible for the financial stewardship and stability of MCE. To ensure this they have to establish a robust risk management process and formulate a reserves policy.

Board Members must not act in any way which brings their personal interests into conflict of those of MCE, nor can they benefit personally from their Directorship. They are, however, entitled to reasonable out of pocket expenses.

The Board must adhere to the general law which affects the conduct of the administration such as employment, health and safety, human rights, etc.

Liabilities

Directors may incur personal liability, both civil and criminal, for their acts or omissions in directing the company.

Any breach of the duties will be treated as misconduct in the administration of the charity, entitling OSCR to invoke its powers under Section 31 of the 2005 Act. These include power to suspend the Board Members, to direct the charity to cease representing itself as a charity or as a Scottish charity, to restrict the transactions which may be entered into, or the nature or amount of payments which may be made in the administration of the charity without OSCR's consent, and to direct any third party holding property on behalf of the charity not to part with it without OSCR's consent.

OSCR is under a general duty to act proportionately in performing its regulatory function; any action OSCR may take must be proportionate to the misconduct concerned. OSCR cannot suspend a Board Member under these powers if it considers the Board Member has acted honestly and reasonably in relation to the misconduct and ought fairly to be excused.

Where there has been a breach of any of these duties, the Board Member must take whatever steps are reasonably practicable to ensure that the breach of duty is corrected and not repeated. Any Board Member who has been in serious or persistent breach of the duty should resign, or will be removed from his/her position at a general meeting.

Board Membership & Terms of Appointment

The Board consists of up to 20 members. The number of the Board may be varied but not reduced below 6 unless otherwise determined by an AGM.

At each AGM one third of the elected Board shall retire but all retiring members are eligible for re-election. The longest in office shall retire first, or in the case of an equality of period of service, those to retire shall be selected by lot.

With the exception of the Chairman, Board Members should normally retire and not seek re-election after six years' service unless the Board determines otherwise.



DECLARATION OF INTERESTS (ANNUAL RETURN)

This form is used to comply with Mercy Corps Europe's Board of Directors' CODE OF CONDUCT and REGISTER OF INTERESTS. *Please read notes overleaf before completing.*

| Interest | Position | Date(s) |
|----------|----------|---------|
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| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

NAME:

SIGNED:

DATE:

This form must be updated as necessary, signed, dated, and sent to:
jryder@mercy Corps.org



MERCY CORPS EUROPE CODE OF CONDUCT

Declaration of Interests Notes

- This Policy applies to all Mercy Corps Europe team members, Board Directors, volunteer assessors, advisors, consultants, contract staff, members of associated advisory panels or groups and any other persons directly involved in the pursuance of Charity business.
- Conflicts of Interest may arise where an individual's personal or family interest and/or loyalties could be perceived to conflict with those of the Charity. It could also arise where an individual's personal or family interest could be seen to benefit from any decision made by the Charity.
- The aim of this policy is to protect both the organisation and the individuals involved from any appearance of impropriety.
- Every person involved with the Charity should complete the Declaration of Interests Form and submit it to MCE. Individuals should declare any (and all) interests they or their immediate family have that has either a direct impact on the work of the Charity or could be seen to benefit from any action taken by the Charity. This would include (but not be limited to) their employment, any directorships, memberships of organisations, appointments on governing bodies, and / or involvement with other charitable or voluntary organisations.
- It is the responsibility for each individual to declare an interest and to keep this up-to-date.

Nick Blazquez
Chairman
Mercy Corps Europe

Company Registration No: 208829
Registered Charity No: SCO30289

MERCY CORPS

GIFT ACCEPTANCE POLICIES AND GUIDELINES

Mercy Corps encourages the solicitation and acceptance of gifts for purposes that will further and fulfill its charitable mission. The following policies and guidelines govern acceptance of gifts made to Mercy Corps or for the benefit of any of its programs.

Mercy Corps' mission is to alleviate suffering, poverty, and oppression by helping people build secure, productive, and just communities. Mercy Corps is a charitable organization qualified under the Internal Revenue Code under Section 501(c)3 and classified as a public charity within the meaning of Sections 509(a)(1) of the Code.

I. PURPOSE OF POLICIES AND GUIDELINES

1.1 In General.

Mercy Corps solicits current and deferred gifts from individuals, organizations, corporations, and foundations to secure the future growth and mission of Mercy Corps. It is the purpose of these policies and guidelines to govern the acceptance of gifts by Mercy Corps. The provisions of these policies shall apply to all gifts received by Mercy Corps.

1.2 Authority of the Board.

These policies and guidelines set out the decisions and actions relating to gift acceptance which require approval of the Board of Directors of Mercy Corps (the "Board"). The Board may, at any time, by resolution, delegate any portion or all of its authority under this document to any board committee that is duly formed in accordance with the Bylaws, or to any individual provided such delegation is consistent with the Bylaws. The Board hereby delegates authority for the Gift Acceptance Policies and Guidelines to the Development Committee.

1.3 Emphasis on Integrity and Donor Confidence.

The Board of Mercy Corps views donor confidence, integrity and fiscal accountability as central to Mercy Corps' mission. At all times, Mercy Corps' directors and other representatives shall interpret and implement these gift acceptance policies and guidelines in a manner that is consistent with these principles.

1.4 Confidentiality.

All information concerning donors, including but not limited to names, addresses, phone and fax numbers, email addresses, amount of gift, identity of beneficiaries, and financial and tax information, shall be kept strictly confidential by Mercy Corps, its staff, agents and volunteers, unless permission is granted by the donor to release such information, or if disclosure is required by law or court order.

II. STANDARD OF CONDUCT WITH DONORS

2.1 Donor Advice.

Under no circumstance shall Mercy Corps provide legal or financial advice to prospective donors. Prospective donors shall be strongly urged to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences. In all instances, it shall be the donor's responsibility to obtain, and bear the costs of, independent legal and financial advisors. Mercy Corps shall not act as a personal consultant or tax advisor to any donor.

2.2 Donor Recognition.

Mercy Corps may agree to recognize the donor publicly for his or her contribution, including issuing press releases or recognizing donors in Mercy Corps publications. When appropriate, the staff will coordinate naming opportunities. Mercy Corps will use its best efforts to honor a donor's wishes to remain anonymous so long as Mercy Corps may secure and disclose donor information as is required by the Internal Revenue Service (IRS); or by law or court order.

III. REVIEW AND ACCEPTANCE GUIDELINES

3.1 MC Representative Review and Acceptance.

All unrestricted gifts of cash, charitable gift annuities, digital currency, and publicly traded securities may be accepted by an authorized Mercy Corps representative without additional approval. In addition, all gifts with use restrictions as described in Section 4.1 herein may also be accepted by an authorized Mercy Corps representative without additional approval.

3.2 Gift Acceptance Committee Review and Approval.

A Gift Acceptance Committee shall be comprised of the Chief Financial Officer, the Chief Development and Marketing Officer, and the General Counsel or his delegee. A member of the Committee who is not available for a meeting where action is required may delegate authority to another staff member in the same department.

The Gift Acceptance Committee must approve any of the following types of gifts:

- a.** Acceptance of gifts of closely held stock transfers or gifts involving legally restricted publicly traded stock;
- b.** Acceptance of gifts involving tangible personal property, including, but not limited to, airplanes, boats, automobiles, or art work whether or not they will be used for Mercy Corps' charitable purposes or sold;
- c.** Acceptance of intellectual property and royalties;
- d.** Acceptance of real estate interests;
- e.** Acceptance of a remainder interest in a charitable remainder trust or an income interest in a charitable lead trust;
- f.** Execution of documents naming Mercy Corps as Trustee;

- g. Acceptance of gifts involving contracts, such as insurance policies, bargain sales or other documents, which require Mercy Corps to assume an obligation;
- h. Execution of transactions with potential conflicts of interest; and
- i. Acceptance of permanently restricted/endowment gifts.

3.3 Material Aid/Gifts In Kind For Field Program Distribution.

The Senior Material Aid Officer or other authorized Mercy Corps material aid representative(s) as designated by the Senior Material Aid Officer may accept any material aid for the purpose of field program distribution in accordance with the Material Aid: Acceptance and Management Policy for Material Aid Donations attached as **Exhibit A**. In order to ensure compliance with the Material Aid: Acceptance and Management Policy for Material Aid, the Senior Material Aid Officer must be notified of any prospective material aid donations before said donations are received or programming planned.

IV. RESTRICTIONS ON GIFTS

4.1 Unrestricted Gifts and Gifts with Restrictions on Use.

An authorized Mercy Corps representative may accept unrestricted gifts of cash, digital currency, and publicly traded securities, and gifts of cash, digital currency, and publicly traded securities for specific programs and purposes, provided that such gifts are consistent with Mercy Corps' stated mission, purposes, and priorities. A Standard Gift Agreement for unrestricted and use-restricted gifts is attached as **Exhibit B**.

Mercy Corps will not accept gifts that are designated for a particular individual or are unduly restrictive in purpose. Gifts that are unduly restrictive in purpose are those that violate Mercy Corps' Articles of Incorporation, gifts that are too difficult to administer, or gifts that are for purposes outside the mission of Mercy Corps.

4.2 Funds Held in Perpetuity.

All gifts designated as perpetual, endowed or permanently restricted will be carefully considered by the Gift Acceptance Committee before acceptance. If a gift is accepted for endowment, its purpose shall be clearly established in writing and the fund managed in accordance with the Uniform Prudent Management of Institutional Funds Act. (UPMIFA).

4.3 Unrestricted Bequests

Unless otherwise directed by the Board of Directors of Mercy Corps, all unrestricted bequests will be managed through the Mercy Corps Board Designated Endowment Fund as outlined in the Board Resolution of January 13, 2012, attached as **Exhibit C**. The Mercy Corps Board Designated Endowment Fund was amended February 21, 2017 and is now known as the Mercy Corps Board Designated Fund; resolution attached as **Exhibit D**.

V. CONSIDERATIONS FOR ACCEPTANCE OF CERTAIN GIFTS

5.1 Cash.

Cash is acceptable in any form. Checks shall be made payable to Mercy Corps.

5.2 Tangible Personal Property.

All gifts of tangible personal property shall be examined in light of, but not limited to, the following criteria:

- a. Whether the gift is consistent with and/or furthers Mercy Corps' mission;
- b. Marketability of property;
- c. Presence of restrictions on use, display, or sale of the property;
- d. Carrying costs for property, including insurance and storage costs; and
- e. Applicable IRS reporting requirements with respect to the acceptance or sale of such donated property, if any.

The Gift Acceptance Committee or its delegates shall complete and review the Tangible Property Information Worksheet attached as **Exhibit E**.

5.3 Securities.

- a. **Publicly Traded Securities.** Publicly traded securities, defined as securities traded on a recognized national exchange in the United States (e.g., NYSE, NASDAQ), may be transferred to Mercy Corps' primary brokerage account or as needed an account maintained at one or more brokerage firms or delivered physically to Mercy Corps with the transferor's signature or stock power attached. Acceptance of any publicly traded securities that are restricted by applicable securities laws must be approved in accordance with Section 3.2.
- b. **Closely Held Securities.** Closely held securities (including debt and equity positions in non-publicly traded companies, interests in LLPs and LLCs or other ownership forms) may be accepted subject to Section 3.2. Prior to acceptance, the Gift Acceptance Committee must determine that:
 - i. There are no restrictions on the security that would prevent Mercy Corps from ultimately converting those assets to cash;
 - ii. The security is marketable; and
 - iii. The security will not generate any undesirable tax consequences for Mercy Corps.

Every effort will be made to sell closely held securities as quickly as possible.

5.4 Real Estate.

Gifts of real estate can include personal residences, rental properties, office buildings, undeveloped land, agricultural properties and timberland. Such gifts may be an outright donation of the entire property (fee simple gift), a reduced price sale of the property (bargain sale agreement), or a remainder interest in real property. See Section VI for further information on gift vehicles other than a fee simple gift of property.

Regardless of the gift vehicle used, all potential gifts of real property must be carefully scrutinized before being accepted by Mercy Corps. Information gathered on each property shall be provided to the Gift Acceptance Committee as outlined.

- a. **Preliminary Information.** The Real Estate: Property Gift Information Worksheet attached as **Exhibit F** shall be prepared on every potential real property gift to Mercy Corps. This worksheet will provide the information used by the Gift Acceptance Committee to evaluate whether to accept the property. This worksheet will include information from various sources, including the donor, a site visit and public records.
- b. **Site Examination.** Before any real property can be accepted by Mercy Corps, the site must be thoroughly inspected by an authorized Mercy Corps representative or consultant, who shall be responsible for completing the Property Gift Information Worksheet. The primary purpose of the site inspection is to determine if there are any obvious, unacceptable financial, legal, environmental, marketing or public relations risks associated with acceptance of the gift.
- c. **Environmental Issues.** Environmental and hazardous waste issues can present serious problems to the owner of a property. Before Mercy Corps joins the chain of title, it is important to ensure there is very little environmental risk, or the environmental risk that is present can be easily remediated by the donor prior to donation. Therefore, the prospective donor(s) will be asked to complete and sign a Real Estate: Property and Environmental Checklist, attached as **Exhibit G**. Additionally, a Phase I Environmental Assessment report is required for each property before acceptance.

Depending on the outcome of the Phase I Environmental Assessment report, a Phase II Environmental Assessment report may be required. The donor must provide written consent to these reports before they are conducted.

- d. **Indebtedness.** Accepting and holding properties subject to a mortgage is likely to involve Mercy Corps in unrelated business activity, thereby raising the issue of unrelated business income tax liability. Mercy Corps will consider properties subject to a mortgage on a case-by-case basis only.
- e. **Marketability and Holding Costs.** The marketability of a property must be considered before a gift is accepted. Discussions with local real estate agents, planners and others will help in determining the property's marketability.

The costs associated with holding real property may include: property taxes, insurance, mortgage payments, maintenance, unrelated business income tax for income-producing properties, rent collection for income-producing properties and association or membership fees. A thorough analysis of these costs should be performed before accepting the property.

- f. Written Proposal to the Donor.** A written proposal should be delivered to the donor as soon as possible after the site evaluation to articulate the process for moving forward. The proposal should include:
- i. assumptions about the donor and the property;
 - ii. purpose or program that will benefit from the gift;
 - iii. need for the donor to obtain an independent appraisal;
 - iv. discussion of IRS reporting requirements (Form 8283);
 - v. recommendation that the donor review the proposal with his/her legal and tax advisors; and
 - vi. explanation that the acceptance of the gift requires preapproval by the Gift Acceptance Committee.

- g. Disposition of Property.** The policy is to sell all gifts of real property as soon as advantageous. Managing real property over extended periods of time can be expensive and presents additional liability to Mercy Corps. The Gift Acceptance Committee or its delegate(s) must secure and consider at least three bids for representation from realtors or brokers before selecting the agent to represent Mercy Corps in the sale of donated real estate.

The donor may assist in locating a buyer, but under no circumstances should the donor establish a marketing or sales agreement with a real estate agent, nor should the donor have a signed sales agreement on the property. If such an agreement were in place, it would jeopardize the donor's tax deduction.

- h. Expenses and Proceeds.** All direct expenses related to outright gifts of real property will be charged against the sale proceeds, and the net proceeds will benefit the gift purpose stated by the donor.
- i. Insurance.** Liability and property insurance must be maintained on all properties donated to Mercy Corps.

5.5 Donation of Life Insurance Policies.

Mercy Corps may be named as a beneficiary or contingent beneficiary of a life insurance policy. Mercy Corps may accept the donation of whole life insurance policies only; term policies may not be accepted. Mercy Corps shall not be named as an irrevocable owner of a life insurance policy. No start up life insurance programs will be accepted. Typically, Mercy Corps will not accept life insurance gifts where the donor(s) must contribute future premium payments in order to maintain the policy's viability.

5.6 Intellectual Property Rights.

Mercy Corps will consider gifts of intellectual property rights, which include royalties, patents, copyrights, contract rights or other similar interests. It is important that the donor and Mercy Corps be aware of potential tax ramifications of accepting/donating such gifts. As provided in Section 2.1, all prospective donors should be strongly urged to seek the assistance of personal legal and financial advisors in matters relating to their gifts.

5.7 Digital Currency

Digital Currency (or cryptocurrency), may be transferred to Mercy Corps' primary payment service provider (PSP), BitPay. The PSP has a standing order to immediately liquidate to USD and deposit the proceeds into Mercy Corps' accounts. Mercy Corps receives a copy of the transaction documentation which includes donor information sufficient to meet the needs of Know Your Customer requirements.

VI. ADDITIONAL CONSIDERATIONS REGARDING CERTAIN GIFT VEHICLES

6.1 Remainder Interest in Real Property.

Mercy Corps may accept a remainder interest in a personal residence, farm, commercial property or vacation property subject to Section V. The life tenant or other person with a beneficial interest in the property may continue to occupy the real property until the expiration of his/her interest (e.g., death of the life tenant, or expiration of a stated term of years). At the expiration of all prior interests, Mercy Corps may use the property or reduce it to cash. Where Mercy Corps receives a gift of a retained life estate interest, Mercy Corps shall not be liable for any expenses for maintenance, real estate taxes, and any property indebtedness prior to the time at which Mercy Corps takes title to the property.

6.2 Bargain Sales.

Mercy Corps may enter into a bargain sale arrangement in which the transaction furthers the mission and purposes of Mercy Corps. A bargain sale is a transaction in which a seller conveys property to Mercy Corps for a price that is less than the property's fair market value, as determined by an independent appraiser, with the intent to donate the amount represented by the excess of the fair market value over the purchase price as a contribution to Mercy Corps. The Gift Acceptance Committee must approve, in advance, all bargain sales. In addition to the steps listed in Section 5.4, prior to acceptance of a bargain sale, Mercy Corps shall:

- a. Obtain an independent appraisal (in addition to any appraisal obtained by the donor) substantiating the value of the property; and
- b. Confirm that the debt ratio on the property, if any, is less than 50% of the appraised market value.

6.3 Charitable Remainder Trusts.

Mercy Corps may accept a designation as remainder beneficiary of a charitable remainder trust (CRT) with approval of the Gift Acceptance Committee as provided in Section 3.2.

CRTs are irrevocable, separately administered trusts, established by the donor. Trust payments are made to the donor or other named beneficiaries for life or a term of years. At the end of the stated trust term, the remaining assets are distributed to one or more charities.

CRTs are separate legal entities outside the control of the donor and Mercy Corps. The trustee of the trust determines how the trust is invested, distributes payments to

the beneficiaries, prepares the trust tax returns and K-1s, and otherwise manages the trust on a day-to-day basis. There is liability involved when serving as trustee. Additionally, there is an inherent conflict of interest between the roles of a charity when serving as trustee and also receiving payments as a remainder beneficiary.

Because of this inherent conflict, Mercy Corps will not serve as trustee or co-trustee of a CRT, but may assist the donor in finding a suitable trustee (bank, trust company, or the donor) to manage the CRT.

6.4 Charitable Lead Trusts (CLT).

Mercy Corps may accept a designation as income beneficiary of a charitable lead trust with the approval of the Gift Acceptance Committee as provided in Section 3.2.

In many ways, the charitable lead trust is the opposite of the CRT. A charitable lead trust pays income to a charity for a term of years. At the end of the trust term, the trust assets revert to the donor, the donor's estate or other beneficiaries named in the trust document.

Mercy Corps will not serve as trustee or co-trustee of a CLT. However, Mercy Corps may work with a donor or prospective donor to establish a charitable lead trust that will provide a current income stream to Mercy Corps, and may assist the donor in finding a suitable trustee (bank, trust company, or the donor) to manage the CLT.

6.5 Retirement Plan Beneficiary Designations.

Donors and supporters of Mercy Corps are encouraged to name Mercy Corps as beneficiary of their retirement plans.

6.6 Bequests.

Donors and supporters of Mercy Corps may make bequests to Mercy Corps under their wills and trusts. Mercy Corps staff may provide donors with sample bequest language and strongly encourage donors to seek independent legal counsel. Most bequests received by Mercy Corps are unrestricted. In cases in which the donor wishes to support a specific Mercy Corps program, the gift officer managing the relationship will provide the donor with the recommended language after consulting with the Chief Development and Marketing Officer or Mercy Corps General Counsel.

In some cases, it may be best for Mercy Corps to disclaim a bequest or trust distribution. Valid reasons for disclaiming include but are not limited to: inappropriate or unfulfillable restrictions on use of funds; lack of liquidity, lack of marketability, holding costs, environmental issues, liability and public relations issues.

If the bequest involves securities, digital currency, real estate, or personal property, Mercy Corps will follow the appropriate policies for those items. Sample bequest language is attached as **Exhibit H**.

Mercy Corps will not serve as personal representative of an estate, including estates in which it is named as a beneficiary. Mercy Corps may refer the donor to a list of trust officers to serve in that capacity.

6.7 Charitable and Deferred Gift Annuities.

Mercy Corps currently offers charitable gift annuities to donors typically over the age of 70 in states where we are compliant with state regulations. A charitable gift annuity shall have an annuity rate no higher than the rate suggested by the American Council on Gift Annuities at the time the gift is funded. Current and deferred charitable gift annuities may be established with at least \$10,000. Under IRS regulations, there may be no more than two annuitants. Deferred charitable gift annuities are typically offered to beneficiaries over the age of 60 and will be considered on a case by case basis.

6.8 Revocable Trust Agreements.

Mercy Corps encourages its donors to name the organization as a beneficiary of all or a portion of a revocable trust agreement. However, Mercy Corps will not serve as trustee of a revocable trust agreement and will instead encourage the donor to seek legal advice.

VII. TAX COMPLIANCE RESPONSIBILITIES

7.1 Securing Appraisals for Gifts to Mercy Corps

In cases where the donor is required under the tax law to obtain a qualified appraisal in order to substantiate the donor's charitable contribution deduction with respect to a gift made to Mercy Corps, it shall be the responsibility of the donor to secure and pay all fees for the appraisal.

The donor is responsible for determining whether an appraisal is required.

7.2 Gift Acknowledgement and Compliance with IRS Reporting Rules

Acknowledgement of all gifts made to Mercy Corps and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of Mercy Corps. The relevant IRS publications outlining such requirements will be followed.

The Resource Development Department of Mercy Corps will be responsible for ensuring that Mercy Corps properly complies with the IRS filing requirements upon Mercy Corps' sale or disposition of any gift that it sells within two years of receipt where the charitable deduction taken for the gift was \$5,000 or more. The Resource Development Department of Mercy Corps will also ensure that Mercy Corps complies with all IRS disclosure and donor acknowledgement requirements with respect to gifts of patents, other similar intellectual property, automobiles, boats and planes.

VIII. AMENDMENTS/DEVIATIONS

These policies and guidelines have been reviewed and adopted by the Board. The Board must approve any amendments to or deviations from these policies.

Approved by the Joint Board Executive Committee on June 9, 2016
Approved by the Mercy Corps Board of Directors on June 29, 2016

EXHIBITS

- EXHIBIT A Material Aid: Acceptance and Management Policy for Material Aid Donations
- EXHIBIT B Standard Gift Agreement
- EXHIBIT C Board Resolution establishing a Board-Designated Fund for Unrestricted Bequests,
January 13, 2012
- EXHIBIT D Joint Board Executive Committee Resolution continuing the Board Designated Fund
February 21, 2017
- EXHIBIT E Tangible Personal Property Information Worksheet
- EXHIBIT F Real Estate: Property Gift Information Worksheet
- EXHIBIT G Real Estate: Property and Environmental Check List
- EXHIBIT H Bequest Language

EXHIBIT A

Acceptance and Management Policy for Material Aid Donations¹

1. All donations of materials must contribute to the mission, purpose, and program objectives of Mercy Corps.
2. Mercy Corps has a fiduciary and ethical obligation to donors and partner communities to properly control, manage, monitor, and document donated resources.
 - a. All Mercy Corps material aid projects must comply with the specific project management protocol that has been established for design, implementation, management, and documentation of material aid projects²,
 - b. Donated materials must be clearly associated with an identified programmatic need,
 - c. “Match” and other financially-motivated project objectives are not satisfactory reasons to establish and perform a material-aid project. The same is true for those projects primarily intended to foster and enhance relationships with institutional, government, or corporate entities,
 - d. Material aid projects generally require significantly more investment, resources, and programming capacity than most project designers and implementers realize at the outset of a proposed project. Teams are strongly encouraged to identify these resources and to be certain, before undertaking a project, that adequate capacity is present and available. Assessment and identification of these resources will be a key part of the project proposal and management process. Absence of adequate resources will be among the potential reasons for rejection of a proposed material aid project.
3. Materials will be used by Mercy Corps staff, and/or be distributed directly to beneficiaries by Mercy Corps staff. Projects that transfer materials to other entities are subject to significantly higher management overhead³, and are therefore not acceptable.
4. The cost of distributing and properly managing donated materials should be balanced by, and should not outweigh, their financial and strategic values. An analysis of these values will be made for each proposed project, and will be a key part of the project review process.
5. Estimation of the financial value of donated materials, and the recording and documentation of these values on Mercy Corps financial records, will be performed by the Mercy Corps Accounting Department, subject to the guidance of generally accepted accounting principles and IRS regulations, with additional input provided by the Mercy Corps Legal Department.

¹ “Material aid donation” refers to donated non-food items, per lot. Materials acquired through purchase will generally not be subject to this policy. Purchases that do involve a substantial, legitimate, donation component may be subject to this policy, but these will always be subjected to careful analysis to be certain that accounting for them as “donations” is appropriate.

²A summary and description of the material aid project-management process can be found on the MC Digital Library. See file titled: Material Aid Project 1: Project Management Process Summary.

³ Subject to Mercy Corps-IRS Agreement (attached) dated November 30, 2011, specifying extensive management criteria for distributions to third-party “foreign recipients.”

Update: December 15, 2011

Board Approved 29 June 2016

EXHIBIT A.2 – IRS 11.30.2011

page1



DEPARTMENT OF THE TREASURY
Internal Revenue Service
TE/GE Exempt Organizations Examinations
915 Second Ave. M/S W540
Seattle, WA 98174-1081

November 16, 2011

Barnes H Ellis
45 SW Ankeny
Portland, OR 97201

Taxpayer Identification Number:
91-1148123
Person to Contact/ID Number:
Cathy Tai / 0278850
Contact Numbers:
Telephone: 206-220-6089
Fax: -- 206-220-6071

Dear Mr. Ellis:

We are sending the enclosed material under the provisions of your power of attorney or other authorization on file with us. For your convenience, we have listed the name of the taxpayer to whom this material relates.

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Handwritten signature of Cathy Tai in cursive.

Cathy Tai
Internal Revenue Agent

Enclosures:
Letter 3606
Form 2807

Taxpayer name: Mercy Corps

Letter 3597 (04-2002)
Catalog Number: 34786R

EXHIBIT A.2 – IRS 11.30.2011
page 2



DEPARTMENT OF THE TREASURY
Internal Revenue Service
TE/GE Exempt Organizations Examinations
915 Second Ave. M/S W540
Seattle, WA 98174-1081

November 16, 2011

Mercy Corps
45 SW Ankeny
Portland, OR 97201

Taxpayer Identification Number:
91-1148123
Form:
990
Tax Year(s) Ended:
June 30, 2007 and June 30, 2008
Person to Contact/ID Number:
Cathy Tai / 0278850
Contact Numbers:
Telephone: 206-220-6089
Fax: 206-220-6071

Dear Sir or Madam:

We are examining the above form for the year(s) indicated and we need information from you to complete our examination. The information needed is listed on the attached Information Document Request (IDR). We encourage you to provide any other documents or explanatory material that you believe will be helpful for our review.

- Please send this information to us within 30 days from the date of this letter. Copies are acceptable as long as they are legible. If you have any questions please contact me at the telephone number shown in the heading of this letter.
- We have scheduled the following appointment for you to provide us with the information requested in the attached IDR.

Date:
Time:
Location:

If you have any questions or need to reschedule our appointment, please contact me at the telephone number shown in the heading of this letter.

Section 1.6033-2(i)(2) of the Internal Tax Regulation provides, in part, that every organization exempt from tax shall submit such additional information as may be required by the Internal Revenue Service for the purpose of inquiring into its exempt

Letter 3606 (04-2002)
Catalog Number: 34799U

EXHIBIT A.2 – IRS 11.30.2011

page 3

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status. Failure to comply with our request for information could result in the loss of your tax exempt status.

We realize some organizations may be concerned about an examination of their returns. We hope we can relieve any concerns you may have by briefly explaining why we examine exempt organization returns and what your appeal rights are if you do not agree with the results.

We examine returns to verify the correctness of income or gross receipts, deductions and credits, and to determine that the organization is operating in the manner stated, and for the purpose set forth, in its application for recognition of exemption.

When we complete the examination, we will explain our recommendations and how they may affect your exempt status or tax liability, such as employment, excise or unrelated business income taxes. You should fully understand any recommended changes and their ramifications. Please do not hesitate to ask questions about anything that is not clear to you.

If we recommend changes involving your tax liability and you agree with the changes, we will ask you to sign an agreement form. By signing the form, you will indicate your agreement to the amount shown as a refund due or additional tax owed.

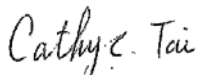
You do not have to agree with our recommendations. You may request a conference at a higher level as explained in the copy of the appeal procedures that we will provide to you.

If we conduct our examination with your representative, you must file a Power of Attorney in order for your representative to receive or inspect confidential information. You may use Form 2848, *Power of Attorney and Declaration of Representative* (or any other properly written power of attorney or authorization), for this purpose.

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,



Cathy Tai
Internal Revenue Agent

Enclosures:
Form 2807

Letter 3606 (04-2002)
Catalog Number: 34799U

EXHIBIT A.2 – IRS 11.30.2011

page 4

| | | |
|---|---|--|
| Form 2807 (Rev. July 1980) | Department of the Treasury – Internal Revenue Service AGREEMENT TO MAINTAIN ADEQUATE BOOKS OF ACCOUNT AND RECORDS | |
| During the examination of my Federal income tax return for the year(s) shown, consideration was given to the adequacy of the books of account and records I now maintain. As a result, I agree that, to be able to make a proper return of income in the future, I will maintain the specific books of account and records described below. | YEAR(S) June 30, 2007 June 30, 2008 | |

A. Pre-Distribution Activities

Mercy Corps should take the following pre-distribution actions and/or engage in the following activities with respect to each claimed GIK distribution:

1. Limit Mercy Corps's GIK receipts and distributions to specific projects that further your exempt purpose(s).
2. Maintain records that show how you determined that each specific project furthers Mercy Corps's charitable purpose(s). These records, which could include such documents as the minutes of your board of directors' meetings, should explain, discuss, and/or address the following topics/issues, actions and/or activities:
 - a. How you determined that the specific project would further Mercy Corps's exempt purpose(s).
 - b. How you identified the foreign recipient.
 - c. Whether you considered more than one foreign recipient for the distribution, and, if so, why you selected the particular foreign recipient who received it.
 - d. How you determined that the foreign recipient had the ability to accomplish the charitable purpose of the distribution and protect the resources from diversion to non-charitable purposes.
 - e. Whether you reviewed the foreign recipient's organizational and operational information prior to the distribution.
 - f. Whether you searched publicly available information about the foreign recipient *prior to* the distribution (i.e., the foreign recipient's incorporating or other governing instruments, its recent public filings such as annual reports, etc.) If not, an explanation as to why such a search was not conducted should be documented.
 - g. Whether you contacted the foreign recipient to request information relating to the foreign recipient's operations *prior to* the distribution (documenting the date of the contact, the information requested, and the response received, etc.) If not, an explanation as to why you did not contact the foreign recipient.
3. Retain copies of any documentation you received from the foreign recipient in response to your request for information relating to the foreign recipient's operations.

| | | |
|---|---------|------|
| SIGNATURE OF TAXPAYER(OR PARTNER) | ADDRESS | DATE |
| SIGNATURE OF SPOUSE IF PRIMARILY PRESRESPONSIBLE FOR KEEPING ALL OR PART OF NECESSARY RECORDS | ADDRESS | DATE |

Cat. No. 18926N

Form **2807** (Rev. 7-1980)

EXHIBIT A.2 – IRS 11.30.2011

page 5

| Form 2807 (Rev. July 1980) | Department of the Treasury – Internal Revenue Service AGREEMENT TO MAINTAIN ADEQUATE BOOKS OF ACCOUNT AND RECORDS | | | |
|---|--|---------|---------------|---------------|
| During the examination of my Federal income tax return for the year(s) shown, consideration was given to the adequacy of the books of account and records I now maintain. As a result, I agree that, to be able to make a proper return of income in the future, I will maintain the specific books of account and records described below. | <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th style="text-align: left;">YEAR(S)</th> </tr> <tr> <td>June 30, 2007</td> </tr> <tr> <td>June 30, 2008</td> </tr> </table> | YEAR(S) | June 30, 2007 | June 30, 2008 |
| YEAR(S) | | | | |
| June 30, 2007 | | | | |
| June 30, 2008 | | | | |

4. Retain copies of all written communications between Mercy Corps and the foreign recipient including, but not limited to, letters and email communications that were exchanged by the parties *prior to* the distribution.
5. Document in writing the oral communications that took place between Mercy Corps and the foreign recipient *prior to* the reported distribution. Such documentation should include, among other items, the content of each communication, the date of the communication, and the names, titles, and contact information of the individuals who were involved in each communication.
6. Document each visit made by a representative of Mercy Corps to the foreign recipient's place of business/location of physical operations *prior to* the reported distribution. This documentation should include, at a minimum, the date of the visit, and the name(s) of the individual(s) who visited the foreign recipient's place of business/location of physical operations, and it should include the name(s) of any individuals who work for, and/or are connected with, the foreign recipient with whom your representative met during the visit. You should also retain all documentation evidencing the visit (i.e., travel itineraries, receipts, photographs, etc.).
7. Retain copies of any written grant agreements you entered into with the foreign recipient that insured that the distribution would be used to carry out your exempt purposes. If the agreement was oral, you should document the terms of the oral agreement, record the dates of the relevant communications, and record the name(s), title(s), and contact information of the individuals who were involved in the communications.
8. Document in writing how you communicated the purpose of the distribution to the foreign recipient.
9. Document in writing whether you explained to the foreign recipient that no part of the distribution, including any income relating thereto, could be used for non-exempt purposes.
10. Document in writing any terms and/or conditions that you required the foreign recipient to agree to prior to the distribution.
11. Document that the foreign recipient agreed to maintain and make available to Mercy Corps, upon your request, complete records of the foreign recipient's receipts, expenditures, and/or distributions relating to the distribution.
12. Document that the foreign recipient agreed to submit to Mercy Corps periodic reports regarding the foreign recipient's use of the distribution.
13. Maintain any other written documentation that details the steps that Mercy Corps took *prior to* the distribution to insure that the foreign recipient had the means to accomplish the charitable purpose of the distribution.

| | | |
|---|---------|------|
| SIGNATURE OF TAXPAYER(OR PARTNER) | ADDRESS | DATE |
| SIGNATURE OF SPOUSE IF PRIMARILY PRESRESPONSIBLE FOR KEEPING ALL OR PART OF NECESSARY RECORDS | ADDRESS | DATE |

Cat. No. 18926N

Form **2807** (Rev. 7-1980)

EXHIBIT A.2 – IRS 11.30.2011

page 6

| Form 2807 (Rev. July 1980) | Department of the Treasury – Internal Revenue Service AGREEMENT TO MAINTAIN ADEQUATE BOOKS OF ACCOUNT AND RECORDS | | | |
|---|--|---------|---------------|---------------|
| During the examination of my Federal income tax return for the year(s) shown, consideration was given to the adequacy of the books of account and records I now maintain. As a result, I agree that, to be able to make a proper return of income in the future, I will maintain the specific books of account and records described below. | <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th style="text-align: left;">YEAR(S)</th> </tr> <tr> <td>June 30, 2007</td> </tr> <tr> <td>June 30, 2008</td> </tr> </table> | YEAR(S) | June 30, 2007 | June 30, 2008 |
| YEAR(S) | | | | |
| June 30, 2007 | | | | |
| June 30, 2008 | | | | |

B. Post-Distribution Activities

Mercy Corps should document that you have taken sufficient post-distribution actions and/or engaged in activities with respect to each distribution sufficient to establish that you maintained control and discretion over the use of the goods/products following the distribution to the foreign recipient.

1. Maintain records establishing that the funds, goods, and/or products (i.e., the distribution(s)) are used for Mercy Corps's exempt purpose(s).
2. Request, receive, and retain periodic accountings or reports from the foreign recipient regarding the foreign recipient's operational activities and use of the distribution.
3. Maintain all other written communications between Mercy Corps and the foreign recipient following your distribution to them regarding their use of the distribution including, but not limited to, letters and email communications.
4. Document in writing each oral communication between Mercy Corps and the foreign recipient following your distribution to them regarding their use of the distribution. Such documentation should include, among other relevant items, the contents of the communication, the date of the communication(s), and the names, titles, and contact information of the individuals who were involved in each communication.
5. Document in writing your representative's performance of any field inspections or on-site audits of the foreign recipient's place of business/location of physical operations to insure that the foreign recipient's use of the distribution accomplished your charitable purpose in making the distribution. This documentation should include, at a minimum, the date(s) of the inspection/site audit, and the name(s) of the individuals who inspected and/or audited the foreign recipient's place of business/location of physical operations, and it should include the name(s) of any individuals who work for, and/or are connected with, the foreign recipient with whom the representative of Mercy Corps interacted during the inspection/on-site audit. The organization should also retain all documentation evidencing the inspection and/or audit (i.e., travel itineraries, receipts, photographs, etc.).
6. Maintain any other written documentation that details the steps you took *following* the distribution to insure that the foreign recipient used the distribution to accomplish your charitable purpose in making the distribution.

| | | |
|---|---------|------|
| SIGNATURE OF TAXPAYER(OR PARTNER) | ADDRESS | DATE |
| SIGNATURE OF SPOUSE IF PRIMARILY PREPONSIBLE FOR KEEPING ALL OR PART OF NECESSARY RECORDS | ADDRESS | DATE |

Cat. No. 18926N

Form **2807** (Rev. 7-1980)

EXHIBIT B

MERCY CORPS STANDARD GIFT AGREEMENT

I, **[name of donor]**, hereby transfer as a gift to Mercy Corps all my right, title and interest in **[state amount of cash or describe, but do not value, any property transferred]**.

[If gift is unrestricted as to use] This gift is unrestricted, to be used by Mercy Corps for its charitable purposes in such manner as Mercy Corps shall, in its discretion, determine.

[If gift is restricted as to use] This gift must be used to support _____, as Mercy Corps' Board of Directors may determine.

[If donor receives no benefits in return] On behalf of Mercy Corps, I acknowledge and thank you for your generous gift of **[state amount of cash, or describe, but do not value, the property contributed]** received on _____, 2___. Mercy Corps has received an IRS determination letter of qualification under Internal Revenue Code Section 501(c)(3), and of nonprivate foundation status under Code Section 509(a)(3), and is eligible to receive tax-deductible charitable contributions. You received no goods or services in connection with your gift. This written acknowledgment is intended to satisfy the requirements of Internal Revenue Code Section 170(f)(8) in connection with substantiation of charitable contributions.

[If donor receives a benefit in return] On behalf of Mercy Corps, I acknowledge and thank you for your generous gift of **[state amount of cash, or describe, but do not value, the property contributed]** received on _____, 2___. You received *[describe goods or services]* valued at \$_____ in exchange for your contribution. \$_____ *[excess of the donor's contribution over the value of the goods and services the charity provided in return]* of your contribution is tax deductible to the extent allowed by law. Mercy Corps has received an IRS determination letter of qualification under Internal Revenue Code Section 501(c)(3), and of nonprivate foundation status under Code Section 509(a)(3), and is eligible to receive tax-deductible charitable contributions. This written acknowledgment is intended to satisfy the requirements of Internal Revenue Code Section 170(f)(8) in connection with substantiation of charitable contributions.

DONOR

MERCY CORPS

Date: _____

Title: _____

Date: _____

EXHIBIT C
RESOLUTION OF THE BOARD OF DIRECTORS OF
MERCY CORPS

January 13, 2012

Pursuant to authority granted by the Washington Nonprofit Corporation Act, RCW 24.03, the following action is taken by the Board of Directors of Mercy Corps (MC), a non-profit corporation incorporated under the laws of the State of Washington, at a properly noticed meeting held on January 13, 2012:

Whereas, by resolution at its meeting held on October 26, 2006, the Board authorized Mercy Corps capital campaign (“Capital Campaign”) and by resolution at its meeting held March 12, 2009 it resolved to transfer all unrestricted (undesignated) bequests to the capital campaign;

Whereas existing pledges largely cover Mercy Corps outstanding obligations related to the Capital Campaign and therefore the Capital Campaign no longer requires the use of all funds from unrestricted bequests, but some portion of the existing pledges may not be paid as promised and therefore it is possible that some portion of future unrestricted bequests may be necessary to cover any shortfall in pledges to the Capital Campaign;;

Whereas Mercy Corps wishes to establish a separate fund the use of which is subject to Board discretion and certain criteria that may only be altered with Board approval; and

Whereas Mercy Corps finds that the use of such a fund may assist with attracting additional unrestricted bequests, as potential donors will find inherent value in knowing that the use of their funds will extend into the future while also providing Mercy Corps with a reliable source of revenue;

Now Therefore Be It

RESOLVED:

1. Establishment of a Board Designated Endowment. The Board of Directors hereby authorizes the transfer of all unrestricted bequests to a separate fund within Mercy Corps for the purpose of establishing a board designated endowment fund, to be held, invested, and distributed in accordance with the following terms and conditions:
2. Designation. The fund will be known as the Mercy Corps Board Designated Endowment Fund (“Fund”) and shall be accounted for as a separate board designated fund on the books and records of the corporation.
3. Contributions to Fund. All unrestricted bequests to Mercy Corps shall be deposited in the Fund. In addition, the Board of Directors may, at its discretion and from time to time, contribute additional amounts from any other source to the Fund.

4. Investments. The assets held in the Fund shall be invested in accordance with Mercy Corps' Board approved Investment Policies. The assets of the Fund may be jointly invested with other assets of Mercy Corps so long as complete and accurate records are maintained with respect to the interest of the Fund and such investments.
5. Distributions.
 - a. Except as stated in 5(b) below, no distributions shall be made from the Fund until such time as the fair market value of the assets held in the Fund exceeds \$1,000,000. Thereafter, an amount equal to 5 percent of the average fair market value of the assets as of the last day of each of the preceding 13 quarters may be distributed each year to the general fund of Mercy Corps. Additional distributions may be made only in an emergency or to fund a special opportunity, and then only upon the affirmative vote of a majority of the directors then in office.
 - b. Notwithstanding the foregoing, distributions may be made at any time and for any amount to the extent the Chief Financial Officer determines that the distribution is necessary to cover the amount of any unfulfilled pledge or other shortfall to the Capital Campaign.
6. Valuation. For purposes of determining the amount that may be distributed in accordance with the foregoing paragraph, Mercy Corps may use any reasonable method to determine the fair market value of the securities for which market quotations are readily available and any commonly accepted method of valuation for all other assets, so long as such methods are used on a consistent basis. An independent appraisal shall not be required.
7. Expenses. Direct out-of-pocket expenses of administering the Fund may be paid from the assets held in the Fund. No indirect expenses or overhead allocations shall be charged against the Fund.
8. Records. The Treasurer shall cause complete records of the Fund to be maintained sufficient that the Fund may be accounted for as a separate fund of Mercy Corps in accordance with generally accepted accounting principles.
9. Amendments. The terms and conditions relating to the Fund may be amended from time to time by action of the Board of Directors; provided, however, that the provisions with respect to distribution set forth in paragraph 4 above may be amended or the Fund may be terminated only upon the affirmative vote of a majority of the directors then in office.

EXHIBIT D
RESOLUTION OF THE JOINT BOARD EXECUTIVE
COMMITTEE OF MERCY CORPS

February 21, 2017

Pursuant to authority granted by the Washington Nonprofit Corporation Act, RCW 24.03, the following action is hereby taken by the Joint Board Executive Committee of Mercy Corps, a non-profit corporation incorporated under the laws of the State of Washington, at a properly noticed meeting held on February 21, 2017:

WHEREAS, by Resolution adopted on January 13, 2012 this Board approved establishment of a Board Designated Fund (“Fund”) consisting of all unrestricted bequests;

WHEREAS, Mercy Corps wishes to revise the terms and conditions relating to said Fund and to continue the Fund as provided herein;

WHEREAS, Mercy Corps finds that the use of such a fund may assist with attracting unrestricted bequests, as potential donors will find inherent value in knowing that the use of their funds will extend into the future;

WHEREAS, unrestricted bequests should be utilized for longer-term investments to facilitate Mercy Corps’ mission and not be expended for normal annual operations;

WHEREAS, it is prudent and appropriate for Mercy Corps to maintain a reasonable level of reserves against potential adverse contingencies and that any amount not otherwise expended by the Board will be available for this purpose;

Now Therefore Be It RESOLVED:

1. The Board of Directors hereby authorizes the continuation of the Fund to include the transfer of all unrestricted bequests to a separate fund within Mercy Corps to be held, invested, and distributed in accordance with the following terms and conditions;
2. All unrestricted bequests to Mercy Corps (or to Mercy Corps Foundation if that entity has been dissolved) shall be deposited in the Fund and accounted for as a separate Board Designated Fund on the books and records of the corporation. In addition, the Board of Directors may, at its discretion and from time to time, contribute additional amounts from any other source to the Fund;
3. The assets in the Fund shall be invested in accordance with the investment policy adopted by this Board on June 28, 2016 or as hereafter amended;
4. An amount up to 5 percent of the average fair market value of the assets as of the last day of each of the preceding 13 quarters (determined by staff using any consistent and reasonable method) shall be distributed each year to core funds of Mercy Corps;

5. Additional distributions may be made for projects or programs that the Board determines to have long-term benefit to Mercy Corps' operations, or the Board determines are necessary for an emergency;
6. Direct out-of-pocket expenses of administering the Fund may be paid from the assets held in the Fund. No indirect expenses or overhead allocations shall be charged against the Fund;
7. The Global Treasurer shall cause complete records of the Fund to be maintained sufficient that the Fund may be accounted for as a separate fund of Mercy Corps in accordance with generally accepted accounting principles.

EXHIBIT E

PERSONAL PROPERTY INFORMATION WORKSHEET

Date _____

Source _____

OWNER INFORMATION

Name _____: Phone: _____

Address: _____

PROPERTY INFORMATION

Description of Property _____

Address or location _____

Directions _____

Availability: (when does the donor plan to make this gift available to Mercy Corps?)

VALUE BASIS

| | | | |
|--|--------------------|-----------------|----------|
| Appraisal | Yes _____ No _____ | Appraised value | \$ _____ |
| Attach Appraisal _____ | | | |
| Age | _____ | Date acquired | _____ |
| Original cost basis | | | \$ _____ |
| Depreciated current cost basis (if applicable) | | | \$ _____ |

ADDITIONAL CONSIDERATIONS

| | | | |
|---|----------|---------------|----------|
| Maintenance | \$ _____ | Insurance | \$ _____ |
| Storage | \$ _____ | Debt Service | \$ _____ |
| Transportation | \$ _____ | Other | \$ _____ |
| If Income Generating, gross income | | | \$ _____ |
| Operating Expenses | \$ _____ | Net cash flow | \$ _____ |
| Is personal property currently marketable? _____ | | | |
| _____ | | | |
| If not, what is required? Remarks: _____ | | | |
| _____ | | | |
| List of local brokers (from signs or local offices) _____ | | | |
| _____ | | | |
| _____ | | | |

FACTORS THAT WILL AFFECT CURRENT SALE

| | |
|---------------------|-------|
| Economic conditions | _____ |
| Market activity | _____ |
| Improvements needed | _____ |

COSTS ASSOCIATED WITH ACQUIRING PROPERTY

HOLDING COSTS (ANNUAL)

TITLE INFORMATION

EXHIBIT F

REAL ESTATE: PROPERTY INFORMATION WORKSHEET

Date _____

Source _____

OWNER INFORMATION

Name _____: Phone: _____

Address: _____

PROPERTY INFORMATION

Type of Property _____

Address or location _____

Directions _____

ASSESSED VALUE

Land value \$ _____ Improvement value \$ _____ Age _____

Date acquired _____ Original cost basis \$ _____

Depreciated current cost basis \$ _____

Is property listed or been listed recently? Yes _____ No _____

If yes, name and phone number of broker _____

Current property expenses: Taxes \$ _____ Insurance \$ _____

Maintenance \$ _____ Utilities \$ _____ Other \$ _____

If rented, Gross Income \$ _____ Operating Expenses \$ _____

Net cash flow \$ _____ Debt Service \$ _____

METHOD OF GIFT

| | | | |
|-------------------------------------|------------------------|--------------------|-------------|
| Outright _____ | Partial Interest _____ | Bargain Sale _____ | |
| Life Estate _____ | Trust _____ | Annuity _____ | Other _____ |
| Birth dates of income beneficiaries | | | |
| #1 _____ | #2 _____ | #3 _____ | |

PHYSICAL INSPECTION

| |
|------------------------------------|
| Current uses of the property _____ |
| _____ |
| _____ |
| Past uses of the property _____ |
| _____ |
| _____ |

ENVIRONMENTAL ASSESSMENT

| |
|--|
| Phase I Environmental Assessment: |
| _____ Results of Phase I Environmental Assessment indicate property likely to be free of hazardous substances and recommendation is to proceed with processing / acquisition. |
| _____ Results of Phase I Environmental Assessment indicate that asbestos analysis and/or further site inspection required. Consult with independent technical consultant before recommending the property to the CFO and SVP. Based on a site analysis, Mercy Corps may or may not proceed with acquisition. (Phase II Environmental Site Assessment may be required) |
| Post Phase I Environmental Assessment Decision (check option that applies): |
| _____ (a) Decision has been made to proceed with acquisition; OR |
| _____ (b) Decision has been made not to proceed with acquisition; OR |
| _____ (c) Cannot make decision at this time; Need to perform the following additional testing or analysis (indicate whether Phase II Environmental Assessment, asbestos analysis, further site inspection, or any other testing or analysis that is required): |
| _____ |

Owner's Consent to Phase II Environmental Assessment:

Mercy Corps has conducted a Phase I Environmental Assessment on my property. For Mercy Corps to continue to consider the property for acceptance, Mercy Corps has notified me that they must conduct a Phase II Environmental Assessment. I authorize the Phase II Environmental Assessment. I acknowledge that significant legal issues may be present with this property, including reporting and clean up requirements. I, as owner of the property, acknowledge that the Phase II Assessment may uncover conditions that Mercy Corps is obligated to disclose, and I consent to Mercy Corps' disclosure of any information obtained during the Phase II Assessment.

Owner's Signature: _____

Date: _____

Phase II Environmental Assessment (if required):

_____ (a) Rejection of property because environmental hazards present a potential legal & financial obligation to Mercy Corps; OR

_____ (b) Decision has been made to proceed with acquisition; OR

_____ (c) Cannot make decision at this time; Need to perform the following additional testing or analysis (indicate other testing or analysis that is required):

Is property currently marketable, sub-dividable, buildable? _____

If not, what is required? Remarks: _____

List of local brokers (from signs or local offices) _____

VALUATION

Estimate of current market value \$ _____

Tax Assessment value \$ _____

SURROUNDING AREA

| |
|--|
| Description of adjacent land uses _____ _____ |
| Description of immediate neighborhood (age, condition, trend) _____ _____ |
| Nearby Industry _____ _____ |
| Traffic Volume _____ |
| Names and addresses of adjacent owners _____ |

FACTORS THAT WILL AFFECT CURRENT SALE

| |
|-----------------------------|
| Economic conditions _____ |
| Property restrictions _____ |
| Market activity _____ |
| Improvements needed _____ |
| Current Zoning _____ |

COSTS ASSOCIATED WITH ACQUIRING PROPERTY

| | |
|--------------------------------------|----------|
| Bargain sale payment to donor | \$ _____ |
| Mortgage to be paid off | \$ _____ |
| Mortgage transfer fee | \$ _____ |
| Third party interest to be purchased | \$ _____ |
| Back Taxes or assessments | \$ _____ |
| Legal and recording | \$ _____ |
| Title fees | \$ _____ |
| Other | \$ _____ |
| TOTAL \$ _____ | |

HOLDING COSTS (ANNUAL)

| | |
|-----------------------------|----------|
| Installment payments | \$ _____ |
| Property taxes | \$ _____ |
| Insurance | \$ _____ |
| Management | \$ _____ |
| Property owners association | \$ _____ |
| Maintenance | \$ _____ |
| Security | \$ _____ |
| Utilities | \$ _____ |
| Other | \$ _____ |
| ANNUAL TOTAL \$ _____ | |

REAL ESTATE LOAN INFORMATION (IF APPLICABLE)

| | | |
|---|------------|---------------------|
| Name and address of lender _____ _____ | | |
| Loan officer name and telephone ____ _____ _____ | | |
| Outstanding balance | \$ _____ | Interest Rate _____ |
| Monthly payments | \$ _____ | |
| Are taxes and/or insurance impounded? | Yes _____ | No _____ |
| Is loan fully amortized? | Yes _____ | No _____ |
| When will loan be paid off? | Date _____ | |
| Can loan be assumed by charity? | Yes _____ | No _____ |
| Terms of loan assumption _____ _____ | | |
| (Attach written confirmation of above) | | |

TITLE INFORMATION

(Obtain donor's deed or contact title company)

How is title held by donor?

Is this a full interest? _____

Partial Interest? _____

Are there any claims against the title?

Yes _____

No _____

If yes, describe

If partial interest, list names and addresses of other owners

EXHIBIT G

MERCY CORPS REAL ESTATE: PROPERTY AND ENVIRONMENTAL CHECKLIST

(To be completed by Owner/Donor)

We sincerely appreciate your generous proposal to donate to Mercy Corps property located at:

To help evaluate your gift and speed the approval process by Mercy Corps, please take a few minutes and check any of the following features that, to your best knowledge, apply to your property.

- _____ Asbestos insulation.
- _____ Urea-formaldehyde foam insulation.
- _____ Septic system.
- _____ Flooding, grading or drainage problems.
- _____ Unusual depressions, mounds or soft spots.
- _____ Indications of prior commercial use.
- _____ Chemical or hazardous material storage or handling areas.
- _____ Liquid or solid waste disposal areas.
- _____ Spills or leaks of any chemicals or hazardous materials.
- _____ Above or below ground storage tanks.
- _____ Polychlorinated biphenyls (often in electrical transformers or other electrical equipment).
- _____ Drug house activity.
- _____ Endangered species/critical wildlife habitat.
- _____ Scenic or conservation restrictions.
- _____ Critical ground water area.
- _____ Flood plain or slide area.
- _____ Historical/Archeological considerations.
- _____ Reforestation requirements, farm and timber deferral.
- _____ Elevated radon levels on or adjacent to the property.
- _____ Pipelines carrying oil, gas and chemicals underneath or adjacent to the property.
- _____ Lead base paints (paint prior to 1978) on any surfaces.

Donor Signature

Date

EXHIBIT H

MERCY CORPS BEQUEST LANGUAGE

Sample bequest language will be made available to prospects, donors and their legal advisors:

BEQUEST LANGUAGE

A. Specific Bequest

"I give \$_____ (or describe the real or personal property) to Mercy Corps, a nonprofit corporation of the State of Washington, headquartered in Oregon, to be used to further the mission of Mercy Corps."

B. Residuary Bequest

"I give to Mercy Corps, a nonprofit corporation of the State of Washington, headquartered in Oregon, all (or ___%) of the rest, residue and remainder of my estate, to be used to further the mission of Mercy Corps."

C. Contingent Bequest

Mercy Corps would receive a gift from your estate if, and only if, one or more of your named beneficiaries does not survive you.

"I give \$___ to (name of beneficiary). If (name of beneficiary) does not survive me, this bequest will lapse and pass to Mercy Corps, a nonprofit corporation of the State of Washington, headquartered in Oregon, to be used to further the mission of Mercy Corps."

D. Unrestricted Gift

"I give _____ to Mercy Corps, a nonprofit corporation of the State of Washington, headquartered in Oregon, to be used to further the mission of Mercy Corps."

E. Restricted Gift

"I give _____ to Mercy Corps, a nonprofit corporation of the State of Washington, headquartered in Oregon, in support of (*a specific program*). If at any time in the judgment of Mercy Corps, it is impractical or impossible to carry out this purpose, then Mercy Corps may, upon approval by its Board of Directors, use this bequest for such other purposes as shall be determined by the Board of Directors to be consistent with my interests and intentions.

Policy Matrix

| Policy | Scope |
|--|--------|
| Code of Conduct | Agency |
| Conflicts of Interest Policy | Agency |
| Anti-Bribery Policy | Agency |
| Anti-Corruption Policy | Agency |
| Ethics Complaints and Whistleblowing Policy | Agency |
| Anti-Trafficking Policy | Agency |
| Sexual Exploitation and Abuse of Beneficiaries and Community Members Policy | Agency |
| Sexual Misconduct in the Workplace Policy | Agency |
| Child Safeguarding Policy | Agency |
| Gift Acceptance Policy | Agency |
| Preventing Support for and Transactions with Prohibited Parties Policy | Agency |
| Remuneration Policy | Agency |
| Risk Management Framework | MCE |
| Data Protection Policy | Agency |
| Information Security Policies (not one policy but integrated in newly adopted IT policies) | MCE |
| Investment Policy (including counterparty risk) | Agency |
| Health & Safety Policy | MCE |
| Reserves Policy | MCE |
| Business Continuity Policy | MCE |
| Diversity & Equal Employment Policy | MCE |
| Modern Slavery Statement | MCE |

Joint Board Executive Committee (JBEC)

i. Terms of Reference

- Under section 41 of the Articles of Association, the Board may delegate any of their powers to a Committee.
- The JBEC shall exercise the full power of the Board of MCG and of the Board of MCE in the management of each during periods of adjournment of the respective Boards as delegated to the JBEC by the respective Boards.

ii. Membership

- The Joint Board Executive Committee (JBEC) includes the Board Chair of MCE, the Board Chair of MCG, the CEO of MCE/MCG, four at-large members of the Board of MCG to be selected by the Board of MCG, and two at-large members of the Board of MCE to be selected by the Board of MCE.
- Members of the Joint Board Executive Committee shall be appointed for up to a period of one year and shall thereafter be eligible for re-appointment.

iii. Authority

- When acting on behalf of MCG only the directors on the JBEC who are also voting directors of the MCG Board may vote on such action on behalf of MCG. When acting on behalf of MCE only the directors on the JBEC who are also voting directors of the MCE Board may vote on such action on behalf of MCE.
- Any action of the JBEC on behalf of MCG or MCE that requires Board approval must be submitted to the respective Board for approval at the next Board meeting.
- A majority of the JBEC shall constitute a quorum for the transaction of business, and a majority of a quorum shall be an action by the JBEC.

iv. Meetings and Minutes

- The JBEC will meet three times a year or more frequently if required.
- The JBEC shall keep written minutes of its meetings.

1 Roles and Responsibilities of the MCE Board and JBEC and how these matters are reported by the Executive Director

- 1.1 Mercy Corps Global (MCG) is a legal entity established in the USA and Mercy Corps Europe (MCE) is a legal entity established in Scotland, with a growing presence in London and continental Europe. Together they form the Global Agency (which has no legal persona) known as Mercy Corps (MC). There is a single Global CEO with overall responsibility for the executive management of both entities. There is also a European Executive Director (ED) with delegated responsibility for the running of MCE.
- 1.2 As per UK charity law, Board Members are defined as those responsible for “the general control and management of the administration of a charity” and they carry out these functions within the context of the charity’s legal framework. This means that irrespective of the employment of staff or governance structure, they are and remain responsible for the governance and strategy of the charity. It is the principal duty of the Board and Board Members to maintain general overall control of the charity. They need to ensure that the charity is administered effectively, and is able to account for its activities and outcomes both to Charity Regulator and to the public.
- 1.3 Taking into account the recent changes in the governance framework of Mercy Corps Europe and the introduction of The Joint Board Executive Committee (JBEC), which shall oversee the implementation of the overall strategy and plan for both Mercy Corps Europe and Mercy Corps Global, the table below has been developed to map and demonstrate that the MCE Board still remains in overall control of the organisation as it is required by UK charity law and most institutional donors.
- 1.4 The table present the matters that are still overseen and/or required approval by the MCE Board and how these are reported to JBEC and the MCE Board by the MCE Executive Director, as well as the matters that are now overseen by JBEC.
- 1.5 **The keys/acronyms used in the table below are**

UKG – UK Governance requirement

ESC – If matter is so significant it will be escalated to JBEC

EX – Exceptional item, matter that is significant or unusual, so this would be reported by exception. Normal Board reports would be silent on this area.

BR – Board Report only – does not need detailed discussion.

| ROLE AND RESPONSIBILITIES OF THE MCE BOARD | OVERSEEN BY JBEC YES or NO | INCLUDED IN REPORT FROM EXECUTIVE DIRECTOR TO JBEC MCE MEMBERS YES or NO | INCLUDED IN REPORT FROM EXECUTIVE DIRECTOR TO JBEC YES or NO | REPORT TO MCE BOARD |
|---|-----------------------------------|---|---|---|
| Ensure the charity adheres to its charitable purposes and mission | N/ UKG | Y/ ESC | Y/ESC | Y/UKG/ EX |
| Oversee the adherence of the charity to its charitable purposes and mission | Y | Y/ESC | Y/ESC | Y/EX |
| Decide on major strategic decisions and policies, <u>in conjunction</u> with the US Board as applicable | N | Y/ESC | Y/ESC | Y/UKG/EX |
| Oversee and recommend strategic decisions and policies | Y | Y/ESC | Y/ESC | Y/EX |
| Provide accountability and ensure proper management. Includes Programmes, Fundraising, Advocacy, HR | N | Y | Y/ESC | Y/UKG/BR Covered by 3-4 pages letter from Executive Director |
| Review and approve the strategy in conjunction with Mercy Corps Global | N | Y | Y | Y/UKG/BR Covered by 3-4 pages letter from Executive Director |
| Recommend and oversee the implementation of strategy | Y | Y/ESC | Y/ESC | Y/EX |

| ROLE AND RESPONSIBILITIES OF THE MCE BOARD | OVERSEEN BY JBEC YES or NO | INCLUDED IN REPORT FROM EXECUTIVE DIRECTOR TO JBEC MCE MEMBERS YES or NO | INCLUDED IN REPORT FROM EXECUTIVE DIRECTOR TO JBEC YES or NO | REPORT TO MCE BOARD |
|---|-----------------------------------|---|---|--|
| Ensuring and approving policies for compliance with Corporate, Charity and Financial Law. <i>[This would be covered by MCE A&R Committee (MCE) & interaction with Compliance Director]</i> | N/UKG | Y/ESC | Y/ESC | Y/UKG/BR Annual A&RC (MCE) report & Compliance report |
| Ensure systems and procedures exist to ensure that the strategy, as agreed, is implemented within the organization | N | Y/ESC | Y/ESC | Y/UKG/BR Covered by 3-4 pages letter from Executive Director |
| Recommend and oversee that systems and procedures exist to ensure that the strategy, as agreed, is implemented within the organization | Y | Y/ESC | Y/ESC | Y/EX |
| Approve the annual budget, management accounts and year end UK Stat accounts | N/UKG | Y/ESC Liquidity and Finance issues | Y/ESC Liquidity and Finance issues | Y/UKG/BR If not an EX then Finance Report. UK Stat A/cs come recommended from MCE A&R Committee |
| Recommend and oversee the annual budget and management accounts | Y | Y/ESC | Y/ESC | Y/ EX |

| ROLE AND RESPONSIBILITIES OF THE MCE BOARD | OVERSEEN BY JBEC YES or NO | INCLUDED IN REPORT FROM EXECUTIVE DIRECTOR TO JBEC MCE MEMBERS YES or NO | INCLUDED IN REPORT FROM EXECUTIVE DIRECTOR TO JBEC YES or NO | REPORT TO MCE BOARD |
|---|-----------------------------------|---|---|--|
| Overall risk strategy and the risk profile of the charity, approving the risk management framework | N/UKG | Y/ESC review of MCE risk register + MCE milestone strategy | Y/ESC | Y/UKG/EX/BR Exceptions will be reported separately but at minimum annual review of MCE risk register by Board (via BR) + MCE Milestone Strategy |
| Oversee risk strategy and recommend enterprise risk management framework | Y | Y/ESC | Y/ESC | Y/EX |
| Approve specified financial payments and property decisions in line with the Scheme of Delegation issued to the Executive Director | N | Y/ESC | Y/ESC | Y/ UKG/EX/BR Exceptions will be reported separately but at minimum annual A&R MCE annual report to MCE Board (via BR) |
| Recommend for Board approval specified financial payments and property decisions in line with the Scheme of Delegation issued to the Executive Director | Y | Y/ESC | Y/ESC | Y/EX |

| ROLE AND RESPONSIBILITIES OF THE MCE BOARD | OVERSEEN BY JBEC YES or NO | INCLUDED IN REPORT FROM EXECUTIVE DIRECTOR TO JBEC MCE MEMBERS YES or NO | INCLUDED IN REPORT FROM EXECUTIVE DIRECTOR TO JBEC YES or NO | REPORT TO MCE BOARD |
|--|-----------------------------------|---|---|--|
| Recommend and oversee if approved establishment of an ad hoc nominations committee for the recruitment, selection and appointment of the CEO and the Executive Director (including approval of salary and conditions of service) | Y | N/A | N/A | Y/EX/ (ad-hoc) |
| Through the establishment of an ad hoc nominations committee, the recruitment, selection and appointment of the CEO and the Executive Director (including approval of salary and conditions of service) | N/JOINT | N/A | N/A | Y/UKG/ (ad-hoc) |
| Evaluate the performance of the CEO and the Executive Director. Should include Board self-Assessment (UK best practice) | N/JOINT | N/A | N/A | Y/UKG Survey re Board & Exec Director |
| Selection and ratification of appointment of other Board Members | N | N/A | N/A | Y/UKG |
| Propose names to be included as candidates for Board Members. The candidates will still need to be approved and ratified by the Board | Y | N/A | N/A | Y/UKG |

MERCY CORPS

Joint Finance Committee Charter

(Adopted by the MCG Board and the MCE Board on
January 13, 2016 at Kampala, Uganda and
Amended February 28, 2019)

1. Mission

The Joint Finance Committee (“JFC” or “Committee”) is chartered to provide assistance to management and to the Boards of Directors of Mercy Corps Global (“MCG”) and Mercy Corps Europe (“MCE”), (collectively “Mercy Corps”) in fulfilling their oversight responsibility with respect to the financial stability, financial strategy, and the long-term economic health of Mercy Corps. The JFC shall review the financial condition, policies, and practices of Mercy Corps and provide reports and recommendations with respect to these to the Joint Board Executive Committee (“JBEC”) and as appropriate to the Boards.

2. Staff

The MCG Chief Financial Officer, supported by the Treasurer and Controller and the Director of Finance of MCE, shall serve as lead staff to the Committee.

3. Organization

The Committee is established as set forth in Article 5 Section 5.1 of the MCG By-Laws and Section 41(a) of the MCE Articles of Association. The Committee shall be appointed by the respective boards of MCG and MCE and shall consist of five (5) members, including three (3) from MCG and two (2) from MCE. All Committee members must be experienced in financial matters. Members may be directors or non-directors provided a majority of the Committee are directors. A non-director member of the committee may vote on recommendations but may not vote on issues involving any delegated authority from either Board. To the extent that the Committee is delegated the authority of either Board, only the members of the Committee who are also directors of that Board shall have the authority to vote on matters as to which authority has been granted. The Committee Chair shall be appointed by the JBEC. Appointments shall be for a one (1) year term. In the event the appointing Board fails to provide notice of re-appointment, the Committee members shall be automatically re-appointed until or unless the JBEC provides notice of their removal or they resign. The JBEC may remove any Committee member, including the Chair, by providing written notice to the Secretaries of each Board of such removal, and the board that had appointed that committee member shall appoint a successor. No member of the JFC may be a member of the Joint Audit and Risk Committee (JARC). The Committee shall review this Charter and its performance and recommend any changes to the JBEC and the Boards every two years.

4. Meetings

The Committee shall meet at least three times per year. Additional meetings may occur as the Committee Chair deems advisable or by a vote of a majority of all Committee members. The Committee Chair (or a member designated by the Chair) shall preside at all meetings, cause adequate minutes of Committee proceedings to be kept, and regularly report the Committee’s actions and activities to the JBEC and, as appropriate, to the Boards.

5. Powers of the Committee

The Committee has the power and authority to:

- 5.1.** Perform the duties and responsibilities delegated to it in this Charter;
- 5.2.** Obtain any information it requires from Mercy Corps' officers and employees;
- 5.3.** Retain, at Mercy Corps' expense, such outside counsel, experts or other advisors as the Committee shall deem appropriate.

Except for the powers and authorities granted herein, the Committee shall have neither the power to bind either Board nor the authority to act without express instruction from the respective Boards.

6. Responsibilities

The Committee shall have the following responsibilities:

- 6.1.** Review and make recommendations to the Boards regarding Mercy Corps' annual operating budget and review any large capital expenditures;
- 6.2.** Review operating results on at least a semiannual basis and report on them periodically to the JBEC and the Boards;
- 6.3.** Analyze and review long term financial forecasts for Mercy Corps and recommend strategic direction to the Boards;
- 6.4.** Keep informed about, consider proposals for, and make recommendations to the JBEC and to the Boards with respect to the general business affairs and financial structure of Mercy Corps;
- 6.5.** Review and recommend financial policies, including an Investment Policy, to the Boards;
- 6.6.** Review and recommend to the Boards any borrowing or debt obligations;
- 6.7.** Provide oversight of all microfinance and micro-insurance activity;
- 6.8.** Oversee strategies for management of foreign exchange exposure;
- 6.9.** Oversee the Mercy Corps' insurance programs;
- 6.10.** Oversee the Mercy Corps 403b Retirement Plan;
- 6.11.** Review this Charter and the Committee's performance and recommend any revisions to the JBEC and the Boards every two years; and
- 6.12.** Perform such other responsibilities, consistent with this Charter and MCG's and MCE's articles of incorporation and bylaws and Articles of Association, as this Committee or the Boards deem appropriate.

On an annual basis, Staff will develop a proposed Calendar for the following year that shall determine the actions and reviews that the Committee will take with respect to Mercy Corps' budget and financial matters. The Committee will add or remove actions and reviews to this calendar as it deems appropriate.

MERCY CORPS

Joint Audit and Risk Committee Charter

(Adopted by the MCG Board and the
MCE Board on January 13, 2016 at Kampala, Uganda
and Amended February 28, 2019)

1. Mission

The Joint Audit and Risk Committee (“JARC” or “Committee”) is chartered to provide assistance to management and to the Boards of Directors of Mercy Corps Global (“MCG”) and Mercy Corps Europe (“MCE”) (collectively referred to herein as “Mercy Corps”) in fulfilling their oversight responsibility to donors, potential donors, the NGO community, and other stakeholders regarding Mercy Corps’ financial statements and the financial reporting process. Specifically, the Committee will assist with: 1) ensuring the integrity of the financial statements; 2) compliance with legal and regulatory requirements; 3) the selection, engagement and dismissal of Mercy Corps’ independent auditors; and 4) the performance of the internal audit function.

2. Staff

The MCG Chief Financial Officer, the MCG General Counsel, and the MCE Director of Compliance, Governance and Risk shall serve as lead staff to the Committee.

3. Organization

The Committee is established as set forth in Article 5 Section 5.1 of the MCG bylaws and Section 41(a) of the MCE Memorandum of Association. The Committee shall be appointed by the respective boards of MCG and MCE and consist of five (5) members, including three (3) from MCG and two (2) from MCE. Members may be directors or nondirectors provided a majority of the Committee are directors. A non-director member of the committee may vote on recommendations but may not vote on issues involving any delegated authority from either Board. Each Committee member shall be free of any relationship that would interfere with his or her exercise of independent judgment. All committee members shall be financially literate or become financially literate within the audit period after appointment, and at least one member shall have accounting or related financial management expertise. The Committee chair shall be appointed by the Joint Board Executive Committee (JBEC). Appointments shall be for a one (1) year term. In the event the appointing Board fails to provide notice of re-appointment, the Committee members shall be automatically re-appointed until or unless the JBEC provides notice of their removal or they resign. The JBEC may remove any Committee member, including the Chair, by providing written notice to the Secretaries of each Board of such removal, and the board that had appointed that committee member shall appoint a successor. To the extent that the Committee is delegated the authority of either or both of the MCG or MCE Boards, only the members of the Committee who are also directors of the respective board shall have the authority to vote on matters as to which authority has been granted. No member of the Committee may be a member of the Joint Finance Committee. The Committee shall review this Charter and its performance and recommend any changes to the boards every two years.

4. Meetings

The Committee shall meet at least three (3) times per year. Additional meetings may occur as the Committee Chair deems advisable, by vote of a majority of Committee members or as directed by the JBEC. The Committee Chair (or a member designated by the Chair) shall preside at all meetings, cause adequate minutes of Committee proceedings to be kept, and regularly report the actions and activities of the Committee to the JBEC and, as appropriate, to the Boards. The MCG

rules regarding meetings and actions by unanimous consent in lieu of meeting, as set forth in the Bylaws, shall also govern the Committee. On an annual basis, Staff will develop a proposed Calendar for the following year that shall determine the actions and review that the Committee will take with respect to Mercy Corps' audit and risk matters. The Committee will add or remove actions and reviews to this calendar as it deems appropriate.

5. Powers of the Committee

The Committee shall have the power and authority to:

- 5.1.** Obtain any information it considers necessary and appropriate from Mercy Corps' employees;
- 5.2.** Independently meet with Mercy Corps staff, independent auditors, inside counsel or outside counsel as necessary; and
- 5.3.** Retain, at Mercy Corps' expense, such outside counsel, experts or other advisors as the Committee shall deem appropriate.

Except for the powers and authorities granted herein, the Committee shall have neither the power to bind either Board nor the authority to act without express instruction from the respective Boards.

6. Responsibilities of the Committee

The Committee shall have the responsibilities and duties set out below.

6.1. Independent Auditors and Financial Statements

The Committee shall be responsible for managing Mercy Corps' relationship with its independent auditors and for reviewing the consolidated financial statements. In doing so, the Committee shall:

- 6.1.1. Review and recommend for appointment by each Board the accounting firm to act as the independent auditors for the MCG and consolidated financial statements and negotiate and approve the terms of the firm's engagement;
- 6.1.2. Review the independent auditor's performance and recommend for Board approval the dismissal of the independent auditor if appropriate;
- 6.1.3. Ensure the independence of the independent auditor by reviewing the independent auditor's provision of any non-audit related services to Mercy Corps;
- 6.1.4. Review the scope and plan for the independent audit of Mercy Corps' consolidated financial statements;
- 6.1.5. Meet with the auditors with no management present at the conclusion of each annual audit;
- 6.1.6. Review results of the annual audit with the external auditors, including all relevant reports and any management letters, and accept/approve the consolidated audited financial statements;

- 6.1.7. Review with the MCG CFO and Controller and the Director of Finance of MCE policies and practices addressing financial controls, and discuss such policies, practices and controls with the external auditors.
- 6.1.8. Review management responses to any audit findings and recommendations and discuss with the independent auditor any significant risks identified by the audit;
- 6.1.9. Report to the JBEC and, as appropriate, to the Boards significant issues in the external audit requiring their attention.

6.2 MCE Audit and Risk Committee (MCEARC)

The MCEARC will consist of those members of this committee who were appointed by the MCE Board. The MCEARC will deal with all UK and European issues that may arise from the preparation of UK statutory audited financial statements for MCE, including interaction with the UK external auditors and associated reporting. The MCEARC will oversee the Risk Management function of MCE together with its compliance with UK and EU legislation and donor regulations covering all aspects of its operation as the legal entity of MCE. Its remit and activities are to meet UK charity governance regulations. The MCEARC will produce an Annual Report of its operation for the MCE Board and this committee.

6.3. Regulatory Reports

The Committee shall review and recommend for Board approval the MCG's annual US IRS Form 990, reports to OSCR, and any other audit reports required by a regulatory body.

6.4. Internal Auditors

The Committee shall oversee Mercy Corps' internal audit function. In doing so, the Committee shall:

- 6.4.1. Review the Internal Audit Charter, activities, and annual plan;
- 6.4.2. Review internal audit reports; and
- 6.4.3. Review management's response to internal audit reports and implementation of auditor recommendations.
- 6.4.4. Meet separately with internal auditors with respect to any issues involving officers of either MCG or MCE and make reports as appropriate to the respective boards.

6.5. Special Investigations and Whistleblower Complaint Mechanisms

The Committee shall oversee special investigations. In doing so, the Committee shall:

- 6.5.1. Investigate any matter brought to the attention of the Committee that the Committee deems appropriate for its investigation;
- 6.5.2. Ensure procedures for the receipt, retention and consideration of complaints about accounting, internal accounting controls or auditing matters; and

6.5.3. Ensure that Mercy Corps has an appropriate confidential mechanism (“whistleblower hotline”) for reporting suspected fraudulent activities.

6.6 Donor Audits

The Committee shall oversee Mercy Corps’ response to any audits initiated by USAID, DFID or other donors

6.7. Liabilities

The Committee shall oversee Management’s response to material litigation, claims and assessments, including, but not limited to, government investigations, non-compliance with laws and intentional wrong doing, and shall review trends in non-material litigation, claims and assessments.

6.8. Enterprise Risk Management

The Committee shall oversee Mercy Corps’ development and implementation of and adherence to its Enterprise Risk Management policies in conjunction with the risk management framework within MCE.

6.9. Policies

The Committee shall review, recommend for Board approval and oversee compliance with organization-wide Conflict of Interest Policy, Anti-Corruption Policy, Anti-Bribery Policy and Whistleblower Policy.

6.10. Additional Responsibilities Assigned by the Boards

The Committee shall report to the JBEC and, as appropriate, to the Boards on the work of the Committee and shall fulfill its duties related to any related special projects assigned by either or both of the Boards.

In performing its responsibilities and duties, to the extent possible, the Committee shall facilitate free and open communication between the Committee, the external auditors and internal auditors, management, and operating personnel. The Committee will maintain confidentiality of sensitive information and records



Mercy Corps Joint Development Committee Charter

1. Mission

The Joint Development Committee (the "Committee") is chartered to provide assistance to the Boards of Directors of Mercy Corps Global (MCG), Mercy Corps Netherlands (MCNL) and Mercy Corps Europe (MCE) (collectively "Mercy Corps") to fulfill their responsibility for Mercy Corps' fiscal health by ensuring Mercy Corps has an effective private resource development program.

2. Organization

The Committee shall consist of five or more members. After consultation with the CEO, three (3) members shall be appointed by the Chair of MCG, two (2) members shall be appointed by the Chair of MCE, and any additional members shall be appointed by the two chairs jointly. The Committee chair shall be appointed by the Joint Board Executive Committee (JBEC) after consultation with the CEO, the MCG Chair and the MCE Chair. A majority of members must be Directors, but the Committee may include other individuals who are not Directors. Committee appointments shall be for a one (1) year term, with no limit on the number of terms served. In the event either Board Chair fails to provide notice of re-appointment, each Committee members shall be automatically re-appointed until or unless the JBEC provides notice of that member's removal. To the extent the Committee is delegated the authority of either Board, only the members of the Committee who are also Directors of that Board shall have the authority to vote on such matters. The JBEC may remove any committee member, including the Chair, by providing written notice to the Secretaries of each Board of such removal, and the Board Chair that had appointed that committee member, after consultation with the CEO, shall appoint a successor.

The Chief Development Officer shall work closely with the Committee Chair and support the Committee.

3. Meetings

The Committee shall meet at least three (3) times per year. Additional meetings may occur as the Committee Chair deems advisable or as requested by a majority of Committee Members. The Committee Chair (or a member designated by the Chair) shall preside at all meetings, cause adequate minutes of Committee proceedings to be kept, and shall regularly report the actions and activities to the JBEC and, as appropriate, to the Boards. Section 3.5 through 3.8 of the MCG By-laws dated July 1, 2015 amended June 22, 2017 regarding meetings and actions by unanimous consent in lieu of meetings shall also govern the Committee.

4. Powers of the Committee

The Committee has the power and authority to perform the duties and responsibilities delegated to it in this Charter. Except for the powers and authorities granted herein, the Committee shall have neither the power to bind either Board nor the authority to act without express instruction from the respective Boards.

5. Duties and Responsibilities of the Committee

The Committee shall have the following duties and responsibilities:

5.1. Fundraising and Gift Acceptance Policy

The Committee shall review, approve and oversee compliance with Mercy Corps' Fundraising and Gift Acceptance Policy, which policy shall be reviewed and revised as necessary.

5.2. Fundraising Goals, Strategies and Work Plans

As requested by Management, assists Management with developing and reviewing Mercy Corps' long-range private resource development goals, strategies and associated work plans.

5.3. Fundraising and Marketing Communication Strategies and Content

As requested by Management, assists Management with developing fundraising and marketing strategies and content.

5.4. Private Donor Outreach

Assists Management with leveraging Committee members', Board members' and Mercy Corps' relationships with individuals, corporations, and foundations for the purpose of furthering Mercy Corps' fundraising efforts, including assisting Management to identify and recruit new prospective donors to Mercy Corps.

5.5. Board Donor Outreach

Educates the Boards and individual Board members about basic principles and best practices in private resource development; annually solicits contributions from Board members; and sets an example of philanthropic participation for other Board members.

AUDIT AND RISK COMMITTEE

1 Terms of Reference

- 1.1 Mercy Corps Europe (MCE) is a charitable company registered in Scotland and is the European Headquarters of Mercy Corps.
- 1.2 Under paragraph 41 of the Articles of Association (2015) the MCE Board (the Board) may delegate any of their powers to a Committee.
- 1.3 The following are the terms of reference of the Audit and Risk Committee (MCEARC) which have been considered and approved by the MCE Board on 16 June 2016.
- 1.4 The MCARC works with and alongside the Mercy Corps Joint Audit and Risk Committee (JARC). Two members of the JARC should be from either the MCEARC and/or the Board

2 General Responsibilities

The MEARC has delegated responsibility on behalf of the Board for:-

- 2.1 Ensuring effective internal and external audit coverage.
- 2.2 Examining and reviewing financial systems and methods of control within MCE.
- 2.3 Overseeing the Risk Management function for MCE.
- 2.4 Ensuring MCE is complying with all aspects of the law, regulations and recommending good practice relating to its accounting and risk management function.

3 Membership

- 3.1 The membership of the MCEARC shall comprise at least one MCE Trustee plus co-opted members as required, who shall be independent and free of any relationship which could interfere with the independent exercise of their judgement.
- 3.2 The quorum for the MCEARC is two.
- 3.3 The Members and Chair of the MCEARC shall be appointed by the Board.
- 3.4 All members shall be financially literate, and at least one member shall have accounting qualifications or related financial management experience.
- 3.5 The membership of the MCEARC will be disclosed in the Annual Report.
- 3.6 The External Auditor and representatives of Internal Audit may attend by invitation.
- 3.7 The Director of Finance and Director of Compliance, Governance and Risk are expected to attend all meetings.

4 Authority

- 4.1 The MCEARC is authorized to obtain appropriate external legal and other professional advice in order to fulfil its responsibility to the Board.
- 4.2 The MCEARC is authorized to investigate on the behalf of the Board anything that threatens, or adversely affects, the achievement of the charity's aims and objects, its assets, the reliability of accounting records and information, and compliance with laws, regulations, policies and its governing instruments relating to financial affairs.

5 Principal Duties

5.1 External Audit

- 5.1.1 Recommend to the Board the frequency of tendering for external auditing services.
- 5.1.2 Consider tenders for the external auditing services and recommend to the Board which firm should carry out the annual external audit.
- 5.1.3 Review the terms of reference, appointment and remuneration of the External Auditors.
- 5.1.4 Review the cost effectiveness of the audit and the qualification, independence and objectivity of the external auditors
- 5.1.5 Review the results of the audit with the external auditor, including relevant reports and management letters.
- 5.1.6 Review the responses drafted by Finance staff that may be needed by the auditors as a result of their statutory audit and report these to the Board.
- 5.1.7 Review management action in response to all audit findings and recommendations.

5.2 External Audits required by Donors and/or Governments in countries in which MCE projects are active

It is recognised that these 'audits' are essentially an operational necessity derived from donor requirements, which would not normally be part of an audit committee's business. The prime responsibility for responding to such audits therefore lies with management. It is also the responsibility of management to ensure that appropriate account is taken of all such 'audits' in the planning and conduct of internal audit work. In that context management must bring to the attention of the JARC all significant matters that are identified in such audits. The JARC in turn will consider the implications for the organisation's systems of internal control arising from such major issues and include these in its annual report to MCEARC.

5.3 Internal Audit¹

Through the review of JARC meeting minutes and the annual report from the JARC the MCEARC will:

- 5.3.1 Review the Internal Audit Plan for the year, taking account of significant issues that have been identified in donor and/or government audits.
- 5.3.2 Monitor audit progress.
- 5.3.3 Review audit reports following consideration by Programmes and Finance staff.

5.4 Internal Control

- 5.4.1 Management must report to the MCEARC the results of all reviews undertaken by external agencies that have referred to the European operations of the European.
- 5.4.2 The MCEARC will consider the implications for the organisation's systems of internal control arising from such reports.
- 5.4.3 MCEARC will receive minutes from JARC, Joint Finance, pre-JBEC and JBEC meetings

5.5 Risk Analysis and Management

- 5.5.1 Review the processes and procedures for ensuring that material business risks are properly identified, reported to the Board, and managed and that appropriate systems of monitoring and control are in place. This does not include monitoring management's actual control of risks, which is the responsibility of the pre-JBEC and Board.

5.6 Meetings and Minutes

¹ For countries where MCE's portfolio share is 50% and above, Internal Audits reports that include a majority of issues identified as high risk will be shared in full with the MEARC. This process will be applicable for FY 2016-2017.

Charter for MCE Audit and Risk Committee

- 5.6.1 The MCEARC will meet at least twice a year. The Director of Finance is responsible for drafting the agenda for the Chair's approval.
 - 5.6.2 All meetings shall be minuted and circulated to all members of the MCEARC as soon as practicable after the meeting. The minutes will also be circulated to all members of the Board and the JARC.
- 5.7 Annual Report to the Board
- 5.7.1 The MCEARC will produce an Annual Report to the Board.