



## CONFLICT OF INTEREST POLICY

### 1. Purpose

This policy is designed to protect the integrity of, and promote continued public trust and confidence in, Mercy Corps by ensuring that any actual, potential and/or perceived conflicts of interest whether direct or indirect are either avoided or are appropriately managed through ensuring no undue personal benefit, prompt and full disclosure, recusal and reporting.

### 2. Scope of Policy

This policy applies to: Mercy Corps Global, Mercy Corps Europe and Mercy Corps Netherlands, their subsidiaries and affiliate organizations (collectively "**Mercy Corps**"); Members of Mercy Corps' Boards of Directors, officers, management, Team Members, seconded employees, interns, and volunteers (collectively "**Team Member(s)**").

### 3. Policy Statements

Mercy Corps expects all Team Members to adhere to the highest standards of accountability, which requires honest and ethical conduct. This requires that any potential conflicts of interest between a Team Member's personal interests and the best interests of Mercy Corps or its beneficiaries do not give rise to undue personal benefit, are disclosed, and are independently reviewed and approved before they arise. Examples of when conflicts of interest arise include, but are not limited to:

- a. Mercy Corps engaging in any transaction with or providing anything of value to a Team Member related party;
- b. Mercy Corps making employment decisions involving family members, including, but not limited to, whether to hire, promote or terminate a family member;
- c. An entity that a Team Member has a Financial or Control Interest in competing with Mercy Corps for donor funding or financial, programmatic or other opportunities;

- d. Expatriate Team Members engaging directly or indirectly, either in their own name or in the name or through an agency of another person, in any business, profession, or occupation in the foreign countries to which they are assigned, or making loans or investments to or in any business, profession or occupation in the foreign countries to which the expat is assigned. This is a mandatory requirement under USAID grants and cannot be waived or approved for expatriates who are wholly or partially directly funded by USAID agreements;

**3.2** In order for a conflict of interest to be considered properly approved and free from corruption, it must: (a) not involve undue personal benefit; and (b) the potentially conflicted Team Member must do all of the following:

**3.2.1 Disclose** – At the earliest opportunity and prior to the conflict arising, disclose in writing the full details of the potential conflict of interest to both (a) the Team Members responsible for reviewing and making decisions related to the transaction and (b) to:

- a. For Team Members under the oversight of a Country Director, their Country Director or the person designated by their Country Director to receive such disclosures;
- b. For Team Members who are not under the oversight of a Country Director, the Mercy Corps Executive Team Member who oversees their function or the person designated by their Executive Team Member to receive such disclosures; or
- c. For Board Members and Executive Team Members, to either Mercy Corps' full board of directors, Mercy Corps' Joint Audit and Risk Committee and/or Mercy Corps' General Counsel (who will ensure it is disclosed to the Board of Directors as necessary);

**3.2.2 Recuse** - recuse themselves and not participate in any decision, approval, or on-going administration related to the transaction or conflict of interest. Recusal must begin at the moment when the Team Member is aware that a potential conflict of interest might arise and must last for the duration of the potential conflict of interest (for examples, a Team Member cannot participate in a decision to procure a certain item knowing that the likely sole source of the item is a company the Team Member has a financial interest in; and a conflicted Team Member cannot be engaged in overseeing the work or making decisions related to payment to a related party); and

**3.2.3 Report** - ensure that the transaction is reported on the Team Member's Annual Conflict of Interest Questionnaire form.

**3.3** In addition to applicable standard approval processes for the type of transaction or benefit involved, potential conflicts of interest must also be approved by the conflicted Team Member's supervisor and Country Director or Executive, as the case may be. Potential conflicts of interest involving Executive Team Members or Board Members (or any other individual the General Counsel and Corporate Controller identify as Disqualified

Individuals under IRS non-profit rules) must be approved by Mercy Corps' Joint Audit and Risk Committee without the participation of the potentially conflicted Team Members. In some cases, they may also require the approval of the relevant Mercy Corps entity's full Board of Directors.

- 3.4 Team Members who were not initially aware that a transaction or benefit was occurring that might pose a potential conflict of interest, must disclose, recuse and report as soon as they become aware of the transaction or benefit. If Team Members are aware of the transaction or benefit, they are expected to understand this policy and know that it would pose a potential conflict of interest and disclose prior to the conflict arising. In addition, to help Mercy Corps identify potential conflicts of interest, Team Members are required to report entities that they have a Financial or Control interest in on their annual Conflict of Interest Questionnaires.
- 3.5 Any conflict of interest that involves undue personal benefit for the Team Member or a related party will be viewed as corruption under Mercy Corps' Anti-Corruption Policy. Team Members who knowingly engage in unapproved conflicts of interest can be subject to disciplinary action up to and including termination even if there is no undue personal benefit.
- 3.6 Mercy Corps and Team Members will also ensure that Mercy Corps' conduct and interactions with representatives of entities that Mercy Corps transacts with do not create conflicts of interest for those representatives, and, if potential conflicts do arise, that the representative handles the conflicts in accordance with the partner entity's internal rules, processes and procedures and consistent with Mercy Corps' commitment to disclose, recuse and report. Likewise, when Mercy Corps hires Team Members from entities that it transacts with, particularly donors, it will work with the new Team Member to ensure that their conduct for Mercy Corps does not violate any of the previous employer's conflicts of interest rules that continue to apply after they begin work at Mercy Corps.

#### **4. Processes and Procedures Required to Ensure Compliance**

Mercy Corps ensures compliance with this policy through appropriate processes and procedures, including:

- 4.1 All Team Members are informed and trained on what conduct this policy requires (via code of conduct training or Board orientation materials) and their responsibilities under this Policy, including what conflicts of interests are and how to report them, and all Team Members certify that they have understood this policy and agree to abide by it;
- 4.2 Requiring all Team Members to complete the annual Conflict of Interest Questionnaire, listing all entities that they have a Financial or Control Interest in, reporting any previously disclosed and approved potential conflicts of interest and certifying to compliance with this policy;
- 4.3 Providing additional guidance and/or training for positions where there is greater opportunity for conflicts of interests to arise, such as procurement functions;

- 4.4 Ensuring that decisions, particularly Board of Directors decisions, to approve any transaction that involves a potential conflict of interest are fully documented with corresponding minutes that accurately reflect the persons present, the discussion and the decision (including voting) related to the transaction; and
- 4.5 Ensuring that all Team Members can anonymously (if they choose) report unapproved conflicts of interests and that all such reports are quickly provided to Mercy Corps' global Integrity Hotline and independently and thoroughly investigated and fully followed up on (see Mercy Corps' Ethics Complaint and Whistleblowing Policy).

## **5. Policy Administration and Responsibilities**

- 5.1 Mercy Corps' Ethics Team, under supervision of Mercy Corps' General Counsel, is responsible for:
  - 5.1.1 Ensuring this policy remains up-to-date, compliant with laws and donor requirements;
  - 5.1.4 Overseeing reporting, investigation and follow-up related to allegations of unapproved conflicts of interests in a manner consistent with Mercy Corps Anti-Corruption and Ethics Complaint and Whistleblower Policies;
  - 5.1.5 Leading a review of this Policy every two years and submitting recommended revisions for Board approval.
- 5.2 Country Directors and Executive Team Members in all countries and areas where Mercy Corps operates are responsible for:
  - 5.2.1 Creating and maintaining an environment and culture that ensures honest, ethical and accountable conduct and that does not facilitate conflicts of interest;
  - 5.2.2 Ensuring the full implementation of this Policy in their area of operations;
  - 5.2.3 Ensuring that decisions involving potential conflicts of interests that are brought to their attention do not involve any undue personal benefit and are made fully independent from any potentially conflicted Team Members;
- 5.3 Human Resources is responsible for:
  - 5.3.1 Ensuring that all Team Members receive code of ethics training and certify to understanding this policy;
  - 5.3.2 Distributing and collecting annual Conflicts of Interest Questionnaires to all Team Members except Executive Team Members and Board Members;
- 5.4 The General Counsel is responsible for:

- 5.4.1 Distributing and collecting annual Conflicts of Interest Questionnaires to all Executive Team Members and Board Members (and all other Disqualified Individuals per IRS rules); and
- 5.4.2 Advising the Board of Directors on ensuring proper disclosure, recusal and approval for potential conflicts of interest involving Board Members and Executive Team Members.

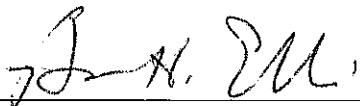
## 6. Definitions

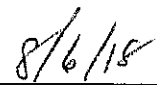
- 6.1 **“Conflict of interest”** is when a Team Member’s or related party’s personal, professional or business interest conflicts with, or may give the appearance of conflicting with, the best interests of Mercy Corps and/or when the Team Member’s or related party’s personal interests or loyalties could, or could be seen to, prevent them from making a decision only in the best interests of Mercy Corps.
- 6.2 **“Family member”** includes anyone who resides with the Team Member. It also includes the Team Members parents, siblings, spouses or domestic partners, and children. It can also include any other family member, romantic partner or close friend if the relationship is such that the Team Member could personally benefit from a transaction with the family member or friend.
- 6.3 **“Financial or control interest”** includes any whole or partial, direct or indirect ownership, control or management of an entity, whether for-profit or not-for-profit, and any formal or informal rights to payment from a company, including payment of a portion of profit or revenue, payment for goods or services provided when the goods or services could in anyway relate to Mercy Corps or its work. Ownership of less than 5% of the stock in a publicly traded company is not a financial interest for the purposes of this policy.
- 6.4 **“Related party”** includes the Mercy Corps Team Member, a close family member of a Mercy Corps Team Member, or any entity that a Mercy Corps Team Member or close family of a Mercy Corps Team Member has a direct or indirect Financial or Control Interest in or is about to have a direct or indirect Financial or Control Interest in.
- 6.5 **“Undue personal benefit”** includes, but is not limited to, any benefit that accrues to the Team Member or a related party that Mercy Corps would not ordinarily offer or agree to in the normal course of its business and in arm’s length transactions. This includes engaging in transactions that Mercy Corps might not otherwise engage in but for the relationship, offering special terms, paying more than market rates, reducing oversight or quality standards, not engaging in disputes and foregoing litigation. It includes transactions involving excess benefit, defined per the U.S. IRS rules regarding excess benefit transactions as a transaction in which an economic benefit is provided by Mercy Corps, directly or indirectly, to or for the use of a Board member, Executive Team Member (or other disqualified individual as determined by the General Counsel and Controller), and the value of

the economic benefit provided by Mercy Corps exceeds the value of the consideration received by Mercy Corps. It also includes sharing Mercy Corps confidential or proprietary information with a related party that is in competition for any opportunity with Mercy Corps.

**7. Approved Policy**

This policy was approved by the Mercy Corps Board of Directors on June 28, 2018 and Mercy Corps Europe Board of Directors on June 21, 2018. This policy may only be amended or changed with the approval of the Board(s).

  
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Mercy Corps Corporate Secretary

  
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Date