

ANTI-FRAUD AND ANTI-CORRUPTION POLICY

Effective Date	July 1, 2022	Version	1.0	Version Date	July 1, 2022
Responsible Team	Ethics and Compliance Department				
Supersedes	Anti-Bribery Policy dated November 28, 2012 Anti-Corruption Policy dated November 28, 2012				
Policy Type	Tier 1	Policy Number	POL-1020		



1. Purpose

The purpose of this policy is to help team members understand prohibited acts of fraud and corruption and ensure resources are not diverted from intended program participants.

2. Scope and Application

- 2.1.** This policy applies to Mercy Corps Global, Mercy Corps Europe, Mercy Corps Netherlands, and 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 Members”).
- 2.2.** This policy applies to Mercy Corps partner organizations (including subgrantees), contractors, outside experts, consultants, agents, representatives, vendors, and any other organization or individual that acts on Mercy Corps’ behalf or at Mercy Corps’ direction (collectively, “Partners”).
- 2.3.** This policy is not related to the Corporate Finance Gift Policy. The Corporate Finance Gift Policy governs permissible gifts purchased with Mercy Corps funds and given by Mercy Corps Team Members to another Team Member, an individual, or third-party organization, and gifts between Mercy Corps Team Members purchased with Team Members’ personal funds.
- 2.4.** This policy is not related to the Mercy Corps Gift Acceptance Policy. The Gift Acceptance Policy governs the acceptance of gifts by Mercy Corps (i.e., donations).

3. Policy Statements

- 3.1.** At Mercy Corps, our reputation for honesty and integrity is among our most valuable assets. Mercy Corps does not tolerate any form of fraud or corruption¹—bribery, kickbacks, facilitation

¹ See Annex A for examples of fraud and corruption.

payments, improper gifts, unapproved conflicts of interest, or other improper payments—in any of our business transactions or relationships.

- 3.2.** Mercy Corps does not authorize or provide improper or corrupt payments made directly or indirectly to or from members of any organization,² government officials³ or any of our Partners.
- 3.3.** Involvement in fraud or corruption can result in severe damage to Mercy Corps' reputation and expose us to enforcement proceedings, multi-million dollar fines, litigation, suspension and debarment from donor funding, among other serious consequences. It can also result in criminal penalties (including prison) for participants in the fraud or corruption.
- 3.4.** All the prohibitions contained in this policy apply regardless of whether Mercy Corps funds or personal funds are used to finance improper payments or other benefits.
- 3.5.** Mercy Corps implemented this policy for the purpose of ensuring compliance with the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), the UK Bribery Act 2010, and all other anti-corruption laws and regulations applicable to Mercy Corps' global activities.

Fraud

- 3.6.** Mercy Corps prohibits all types of fraud. Fraud is any wrongdoing that involves deception and misrepresentation either to benefit one's self or Mercy Corps, whether or not the benefit accrues, or to injure Mercy Corps. Fraud is: (1) any attempt to gain funds, information, or other assets by deception or illegal means, or (2) the deliberate false entry or omission of material facts in order to misrepresent the truth. Fraud includes, among other things, embezzlement, theft, false statements, forgery, impersonation, diversion of resources, fraudulent accounting, and procurement fraud.

Bribery

- 3.7.** Corruption can take many forms, but most often occurs through bribery.
 - 3.7.1.** Bribery is offering, giving, or accepting anything of value from any person or organization, including a government official, in order to influence the actions of another person or entity. Bribery involves some sort of collusion or agreement between at least

² Organization includes any company, non-governmental organization, governmental department, agency or instrumentality, or any other type of organization.

³ A government official is any (i) official or employee of a government, including any political party, administrative agency, government-owned business, or any government department, agency, or instrumentality; (ii) officer or employee of a public international organization; (iii) person acting in an official capacity for or on behalf of a government entity or public international organization; (iv) person or firm employed by, or acting for or on behalf of, any government; (v) political party official, employee or agent of a political party, or candidate for political office (or political party position); and (vi) any family member or other representative of any of the above. Government includes any city, local, regional, or national government.

two parties. Bribery is illegal everywhere Mercy Corps does business. It is contrary to Mercy Corps' values as an organization and is strictly prohibited by this policy.

- 3.7.2. Anything of value is defined broadly and includes far more than cash. In addition to cash, anything of value includes cash equivalents (like gift cards), as well as things like gifts, meals, travel, entertainment, and donations. Even offering to help someone get a job could constitute a thing of value if it is part of an agreement to get something in return.
- 3.7.3. A violation of this policy can occur even if the bribe fails to achieve the purpose for which it was intended. This means that a person can violate this policy if they provide an improper payment or benefit to a recipient and the recipient does not grant any business or other advantage in return. In addition, the mere offer or promise of a bribe or other improper benefit is sufficient to constitute a violation. Bribes paid through an intermediary are also a violation.

Government Officials

- 3.8. Bribery is strictly prohibited by Mercy Corps whether it involves a government official, private party or member of an organization, but business with government officials presents heightened corruption risks. All interactions with government officials must comply with this policy and the law.

Facilitation Payments

- 3.9. Facilitation payments are payments made to government officials to expedite or secure the performance of a routine government action or function. They are sometimes referred to as "expediting payments" or "grease payments" and include, for example, payments to lower-level government employees to secure or expedite the performance of a routine or necessary action, which Mercy Corps is entitled to have performed. In short, facilitation payments are made to get government officials to do what they are supposed to do. Examples include immigration checks, permits, licenses, minor official approvals, or customs clearance of goods.
- 3.10. Facilitation payments are not permissible and are strictly prohibited by Mercy Corps. Exceptions to this rule are available in the following circumstances (Facilitation Payments Exception):
 - A. Payment Under Duress – facilitation payments made under duress will not result in disciplinary action. In order to qualify for this exception, the facilitation payment must be made under duress, in circumstances where a reasonable person would believe that they have no alternative other than to provide the facilitation payment in order to protect life, limb, or liberty. If a facilitation payment is made in these circumstances, the Team Member or Partner must report the payment immediately to the Ethics and Compliance Department or a supervisor, who must report it to the Ethics and Compliance Department. The Team Member or Partner also must

report the payment to the Security team. The Ethics and Compliance Department must maintain a log reflecting all reports of facilitation payments.

B. Payments Made in Accordance with Local Legal Requirements – facilitation payments that are required or permitted by local written law (not local custom) are permitted. Such payments are not considered bribes.

C. Payments Made with Prior Approval of Mercy Corps' Chief Ethics and Compliance Officer – In limited circumstances, a facilitation payment that is made with the prior approval of the Chief Ethics and Compliance Officer is authorized only if all possible efforts to avoid the facilitation payment have been made, the extent of the payment is as small as possible, and failure to make the payment would result in a significant negative impact on Mercy Corps' ability to deliver life-saving and immediately necessary goods or services to participants. Circumstances where such approval will be granted are extremely rare.

- 3.11. Mercy Corps also prohibits payments made to members of organizations, such as local armed groups, which are not technically governmental, but are responsible for governmental functions.
- 3.12. Mercy Corps may retain a local individual or company (an intermediary) to help conduct routine government actions (e.g., visas, permits, vehicle registrations). Although these intermediaries may provide entirely legitimate advice regarding local customs and procedures and may assist with routine government actions, there is a high risk of corruption when third-party intermediaries are involved. Due to this risk, Mercy Corps requires all Team Members to immediately disclose to the Ethics and Compliance Department the engagement of an intermediary for routine government actions ([Reporting Engagement of Intermediary to Ethics and Compliance Department](#)). Before engaging intermediaries to conduct routine government actions for Mercy Corps, Team Members and Partners should follow the process outlined in Engagement of Intermediaries - Guidance.

Kickbacks

- 3.13. Kickbacks are illegal payments intended as compensation for preferential treatment or any other type of improper benefit, such as information or discounts. Kickbacks are a type of bribery, and like other bribes, they can take many forms, including cash, cash equivalents, gifts, means and entertainment. Kickbacks involve some sort of collusion between at least two parties. Offering, giving, or receiving a kickback is a corrupt practice. Kickbacks of any kind are not permissible and strictly prohibited by Mercy Corps.

Third Parties

- 3.14. Mercy Corps can be held responsible for the corrupt or unlawful acts of third parties acting on Mercy Corps' behalf or for its benefit. In particular, Mercy Corps can be held liable for the conduct of its third parties, such as subgrantees/subawardees, subcontractors, agents, and

business partners, when Mercy Corps knows or reasonably should have known of their unlawful conduct, including fraud and corruption. Authorizing a third party to do something that is unlawful or prohibited that Team Members or Partners cannot do directly is a violation of this policy. Third party risk management – and ensuring Mercy Corps engages only reputable third parties committed to anti-fraud and anti-corruption – is a key element of Mercy Corps' compliance program.

Accurate Books and Records and Internal Controls

- 3.15.** Mercy Corps is legally required to make and keep books and records, which in reasonable detail, accurately and fairly reflect the transactions and dispositions of the organization. Mercy Corps is also legally required to create and maintain an effective system of internal controls, aimed at preventing and detecting fraud and corruption. Business records, including purchase orders/requests, invoices, and expense reports, must accurately and fully reflect the relevant business transaction. Business records that misstate or omit material information are not acceptable. Deliberate false entries or omissions of material facts in Mercy Corps' books and records in order to misrepresent the truth constitute fraud.

Business Gifts

- 3.16.** Business gifts are any form of a courtesy between Team Members and third parties, including Partners, based on a Team Member's affiliation with Mercy Corps that has a monetary value, including but not limited to, cash, cash equivalents (e.g., gift cards, vouchers), goods, free services or discounts, electronic equipment (e.g., mobile phone), meals, transport, entertainment, favors, benefits, or some other kind of hospitality. This policy does not prohibit negotiated discounts or rates for Mercy Corps. This policy does not cover personal gifts or those based on outside professional and business relationships. This policy does not cover gifts between Team Members, which is addressed in the Corporate Finance Gift Policy.
- 3.17.** Before a Team Member offers or receives any gift from a third party, the Team Member should ensure it is in accordance with the following mandatory principles:
- 3.17.1. it is not offered or received to gain an improper advantage or influence action;
 - 3.17.2. it is not offered or received during a procurement process;
 - 3.17.3. it is not offered or received in the form of cash or cash equivalents;
 - 3.17.4. the value is no more than USD 25.00 or equivalent; and
 - 3.17.5. the frequency of prior gifts provided to the same recipient would not raise an appearance of impropriety.
- 3.18.** Business gifts valued at more than USD 25.00 or equivalent are prohibited. This is a maximum limit. Where this limit can be considered extravagant in a local setting, it is the responsibility of

local management to set lower local limits and communicate them clearly. Local limits can never exceed the limits set out in this policy and must always comply with local laws. If the Mercy Corps limit differs from local law, Mercy Corps will always adhere to the stricter of the two.

- 3.19. In some instances, refusal of a business gift may cause embarrassment or offense to the person offering it. In these cases, it is usually best to accept the gift on behalf of Mercy Corps, report it to your supervisor and turn it over to Mercy Corps. Team Members can never accept cash, or the equivalent of cash regardless of the amount.
- 3.20. Mercy Corps requires all Team Members to immediately disclose any business gift that is received to the Ethics and Compliance Department ([Report a Business Gift](#)), which will maintain a gift log.
- 3.21. All the prohibitions contained in this Policy apply regardless of whether Mercy Corps funds or personal funds are used to finance business gifts.

Unapproved Conflicts of Interest

- 3.22. Unapproved conflicts of interest are a form of corruption. This policy does not fully address the details of unapproved conflicts of interest, which are covered in Mercy Corps' Conflict of Interest Policy.
- 3.23. A conflict of interest exists when a Team Member or Partner has a personal, professional or business interest that can influence or interfere with their obligations to Mercy Corps. A conflict can be actual, potential or perceived. An actual conflict is one that exists. A potential conflict may not presently exist but could arise in the future. A perceived conflict is one that appears to be a conflict, even if it is not an actual or potential conflict. The term "conflict of interest" as used in this policy addresses all three referenced scenarios.
- 3.24. Team Members and Partners must fully disclose any activity or transaction that might give rise to a conflict of interest, or even the appearance of a conflict of interest, related to their role or business with Mercy Corps. Team Members and Partners should not engage in potential conflict of interest activity without having received authorization to proceed. In some cases, a Team Member or Partner may not realize that a conflict exists until they are already engaged in the activity. Team Members should follow the notification process in Mercy Corps' Conflict of Interest Policy, and Partners should notify Mercy Corps, as soon as they become aware that the potential for conflict exists.

4. Reporting and Discipline

- 4.1. Team Members who engage in or assist any form of fraud or corruption or other material violation of this policy will be subject to discipline, including termination and prohibition from future employment by Mercy Corps, and may be subject to criminal prosecution. Partners will be

in breach of their agreement with Mercy Corps and may have their agreements terminated, be prohibited from working with Mercy Corps in the future, and/or be subject to criminal prosecution.

- 4.2. Mercy Corps requires all Team Members and Partners, and encourages participants, to immediately report any allegation of fraud or corruption or other material violation of this policy to the Ethics and Compliance Department. Team Members should not investigate any allegation of fraud or corruption. Mercy Corps will review all fraud and corruption reports to determine credibility and will investigate any credible evidence of fraud or corruption, or policy violation and ensure appropriate resolution. Credible means any allegation where there is evidence that a reasonable person would believe reliable under the circumstances.
- 4.3. Mercy Corps will not tolerate any form of retaliation against Team Members, Partners, or participants who report suspected violations of this Policy in good faith. Mercy Corps will not tolerate abuse of the reporting systems. For example, Mercy Corps will not tolerate reports brought with knowledge that they are false and in bad faith.
- 4.4. Mercy Corps will report credible evidence of fraud or corruption to the relevant authorities, and to donors, as may be required by agreement or applicable law, or, if not required, as Mercy Corps determines appropriate. Mercy Corps will cooperate with investigators and law enforcement in ensuring those responsible are held accountable.

5. Required Processes and Procedures to Ensure Compliance

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

- 5.1. Communicating this policy to Team Members and making this policy part of the Code of Conduct, which is the joint responsibility of the Ethics and Compliance Department and the People Team;
- 5.2. Maintaining a comprehensive financial control system, which ensures that all expenses are properly accounted for, which is the responsibility of the Finance team;
- 5.3. Maintaining a reporting hotline (www.mercycorps.org/integrityhotline), which allows Team Members and Partners to report allegations of fraud and corruption anonymously, and ensuring Team Members and Partners are aware of the hotline and how to use it, which is the responsibility of the Ethics and Compliance Department;
- 5.4. Maintaining a process detailing how allegations of fraud and corruption are to be reported, reviewed, investigated, and resolved in a systematic manner, which is the responsibility of the Ethics and Compliance Department;

- 5.5. Maintaining a register of fraud and corruption allegations, which is the responsibility of the Ethics and Compliance Department, to identify trends and common issues and ensure allegations are reported to the Joint Audit and Risk Committee;
- 5.6. Maintaining a register of gifts, which is the responsibility of the Ethics and Compliance Department;
- 5.7. Maintaining a register of payments made under any Facilitation Payments Exceptions, which is the responsibility of the Ethics and Compliance Department;
- 5.8. Conducting training on this policy for all Team Members, which is the responsibility of the Ethics and Compliance Department;
- 5.9. Requiring all Team Members to certify that they understand this policy and are compliant with it, which is the joint responsibility of the Ethics and Compliance Department and the People Team;
- 5.10. Requiring its Partners to commit in writing to act in accordance with the Policy Statements in this policy and to report to Mercy Corps any allegations of fraud and corruption that (1) involve or are related to resources provided to the Partner by Mercy Corps, or (2) involve any Mercy Corps Team Member, which is the joint responsibility of Country and Grant Compliance teams;
- 5.11. Conducting appropriate due diligence and monitoring of Partners to ensure they are not violating their commitments under this Policy, which is the responsibility of Country teams with the support of the Grant Compliance team; and
- 5.12. Continually reviewing its policies and procedures related to fraud and corruption prevention to ensure they are improved when necessary, which is the responsibility of the Ethics and Compliance Department.

6. Roles and Responsibilities

- 6.1. The Ethics and Compliance Department has the responsibility to:
 - 6.1.1. maintain this policy;
 - 6.1.2. communicate this policy to Team Members;
 - 6.1.3. maintain a reporting hotline (www.mercycorps.org/integrityhotline), which allows Team Members and Partners to report allegations of fraud and corruption anonymously, and ensure Team Members and Partners are aware of the hotline and how to use it;
 - 6.1.4. conduct training on this policy for all Team Members; and
 - 6.1.5. jointly with the People Team, require all Team Members to certify that they understand this policy and are compliant with it.

7. Policy Governance

Responsible Team	Ethics and Compliance Department
Policy Owner	Samantha Petrich, Director, Fraud and Corruption
Executive Sponsors	Chief Ethics and Compliance Officer
Policy Approver	Joint Audit and Risk Committee
Approval Date	June 6, 2022
Last Reviewed	N/A
Next Policy Review Date	July 1, 2024

ANNEX A – EXAMPLES OF FRAUD AND CORRUPTION

Fraud

Q: Our team received a notice of an upcoming internal audit. When compiling documentation for the audit team, I realized that we were missing some of the requested records – the prohibited party screening results from the RPS On-Demand system. I know that these screenings are required by Mercy Corps before engaging in a financial transaction with a third party. I advised my supervisor of the missing results and was directed to run the searches and backdate the results. When I ran the searches, the third parties were not prohibited. Is it okay to backdate the results?

A. No. Backdating these results is forgery. You should report to the Integrity Hotline the direction given by your supervisor to backdate the results.

Q: I made a small error on the expense report I just submitted--the amount I input is slightly more than the actual cost. Do I need to correct the report?

A. Yes. All records must be accurately kept. Even small discrepancies are a red flag for auditors and regulators.

Q: I know certain costs, like alcohol or entertainment costs, are unallowable on grants. Can I code them under a general, non-specific category so it will not stand out on the financial report?

A. No. You may not misclassify an expense so that it can be paid from a remaining budget line or charge any unallowable cost to any budget line item. Unallowable costs incurred by the office should be charged to unrestricted funds only.

Q: My team did not utilize all the budget approved this year. To maintain the same funding amount next year is it acceptable for me to ask a vendor to pre-bill Mercy Corps for one of next year's projects?

A. No. This would qualify as falsifying expenses recorded in our books and records, misrepresenting when the organization would incur the expense. The law requires us to maintain accurate books and records.

Corruption

Q: I was placing an order with an established supplier. My key contact at the supplier indicated that I would receive a large discount on the price if I could “do him a favor” by helping with the costs of educating one of his children. Am I allowed to do this favor?

A. No – this is bribery. You should report the supplier's request to the Integrity Hotline. Agreeing to this favor is prohibited by this policy.

Q: Our team has been waiting a long time for visas for new team members. There has been a significant delay in visa processing in our country. A team member suggests that we can make a small payment to a government official who will speed up the visa processing for us. The team member said all the NGOs make these types of payments. Can we make this payment?

A. No. This is a facilitation payment and a bribe. Facilitation payments are prohibited by this policy, even if such payments are perceived as a common part of local practice. The suggestion to make such a payment should be reported to the Integrity Hotline.

Q: Our team wants to engage an external consultant to ensure we get the required licenses from the local authority without delay. The consultant has a reputation for knowing the relevant processes very well. Can we contract this external consultant?

A. Prior to engaging the consultant, you will need to make sure that the external consultant will follow all legal requirements to obtain the license. Proper screening of the consultant (e.g., reputation, conflict of interest, website, commitment to anti-bribery, etc.) is necessary. The contract with the consultant must include precise wording on the services that are to be provided and must be explicit about the fees to be paid in relation to the license and the costs charged by the consultant. The consultant must agree in writing that no payment will be made to a government official in connection with the services except for payment of the official government fee(s). Before engaging such consultants, Team Members should follow the process outlined in Engagement of Intermediaries – Guidance, which includes details on the screening process and contract provisions.

Q: I understand that Mercy Corps has zero tolerance for bribery and corruption. However, where I have to pay a bribe to secure my safety or safe passage, is it allowed to pay a bribe? In such circumstances, what can I do to ensure I am safe and still operating within Mercy Corps' policy provisions?

A. You are likely allowed to make this payment, which is considered a facilitation payment made under duress. Although Mercy Corps prohibits facilitation payments, one exception is if the payment is made under duress. This means a reasonable person would believe that they have no alternative other than to provide the payment in order to protect life, limb, or liberty. If a facilitation payment is made in these circumstances, you must report the payment immediately to a supervisor who should inform the Ethics and Compliance Department and the Security team.

Q: As a Mercy Corps team member, may I bribe a government official to expedite the renewal of my personal driver's license?

A. No. Although Mercy Corps respects its team members' privacy and generally does not interfere with their activities outside of work, every Mercy Corps team member must avoid any misconduct outside of work that could impair their ability to do their job or affect Mercy Corps' reputation.

Business Gifts

Q: Senior team members in a country program interact freely with program partners and receive free meals from the partners. The program participants who are supported by these partners view this treatment as a bribe so the partner will receive more work from Mercy Corps. Is it appropriate for the team members to receive these free meals?

A. In most circumstances, modest and infrequent business meals may be accepted. However, whenever a team member receives a free meal from a partner, vendor, etc., the team member must consider the specific circumstances and whether their impartiality could be compromised or appear to others to be compromised. Since program participants may view these meals as bribes, team members should refer to this policy or seek guidance from the Ethics and Compliance Department.

Q: How do you distribute gifts addressed to specific team members from vendors and contractors? Is there a maximum frequency of receiving such gifts?

A. Gifts from vendors should not be accepted if they are in the form of cash or cash equivalents, valued at more than USD 25 or equivalent, or create or appear to create an improper influence or unfair advantage. Any business gift received by a team member must be reported to the Ethics and Compliance Department.

Q: Do team members have to report having coffee or lunch with a friend who works for a vendor?

A. It depends. If the team member and friend are having coffee or lunch because they are friends and they both pay their share, then no reporting is necessary. However, if the outings occur regularly and the friend pays the bill each time, it should be reported. Team members should consider the frequency of the outings, the cost involved, and whether the friend is paying in order to gain an improper advantage or influence official actions. Additionally, all gifts are prohibited during procurement processes.

Q: A company with which Mercy Corps does business delivers a holiday gift basket with food and wine to your office as a holiday gift. The basket has a value of approximately USD 100. You do not return the gift basket, but share it with the other team members in your office. Is this okay?

A. Yes. This is a customary business courtesy and returning it may not be appropriate (e.g., perishable items) or cause embarrassment to Mercy Corps. The receipt of the gift basket should be reported to the Ethics and Compliance Department.