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MANAGING DIRECTORS MESSAGE

During FY/22 we witnessed immense disruption and lives upturned in the communities we work with. We continue to see the confluence of the climate emergency, conflict and COVID-19 creating challenges globally. This year, the Global Humanitarian Overview estimated 296 million people in need in 69 countries.

This year more than ever before we have seen the interconnectedness of conflict and hunger, as food insecurity grew. According to the 2022 Global Report on Food Crises, nearly 193 million people experienced crisis level or worse food insecurity in 2021, an increase of almost 40 million over the previous record in 2020. The negative food security outlook is projected to worsen this year, and the global food systems impact of the crisis in Ukraine will only contribute to further decline. Nowhere has this been felt more acutely than in the Horn of Africa where the shortage of food staples and increased prices will exacerbate crises in countries already grappling with chronic food scarcity.

Mercy Corps continued to work to address the drivers of poverty and meet communities where they are, operating in some of the toughest to access areas of the world to deliver essential programming. This year our global team reached 50+ million people in over 40 countries. I am deeply proud of all that we have achieved together, with the help of supporters and global cooperation.

Mercy Corps Netherlands has increased its reach and contribution to the global operations by strengthening its funding base and launching programmes to cover urgent needs and address the main drivers of fragility across Africa, the Middle East, Asia and South and Central America. This includes a response to the conflict in Ukraine where it is estimated that more than 12 million people have fled their homes and been displaced since February. We have also continued our work with communities in Gaza, Syria, Yemen, and community driven conflict mitigation and resilience programmes in Mali and Nigeria.

We have forged new partnerships that drive some of our most innovative and impactful programmes, such as Agrifin that works with public and private sector partners to design, test and scale digitally enabled products and services for smallholder farmers in order to increase their productivity, incomes and resilience. The Enter Energy program in Ethiopia works with private sector, government and international organisations to create a replicable, market-based model to provide clean, sustainable, reliable and affordable energy services in humanitarian settings.

This was made possible with the generous support of our institutional donors, private sector partners and foundations and the joint efforts of our Europe based team and teams in the countries where we work. I have no doubt that the challenges the year ahead will present will be met with the same dedication, resourcefulness and resilience.

With gratitude and hope for a better future,

Marina Antunovic
Managing Director, Mercy Corps Netherlands
As COVID-19 pandemic continued to take a heavy toll in developing countries during last year, other global events exacerbated the devastating effects of climate change and conflict, driving the rise in extreme poverty and forced displacement. The war in Ukraine has pushed millions of people out of their homes and disrupted food systems across the globe, causing price increases and shortages.

Mercy Corps has worked with partners and communities to address their urgent needs and create conditions to adapt, cope and build lasting solutions for the future. Over the past 12 months, we have launched an emergency response to support Ukrainians fleeing conflict in Ukraine and neighbouring countries with life-saving humanitarian aid and protection assistance, and continued to provide critical assistance to communities in Syria, Yemen, Niger, Somalia.

Beyond providing immediate support during times of crisis, our teams work alongside communities within four key areas to make a lasting impact - through increased access to clean water, food, and economic opportunities along with building pathways to peace, we are working to create transformational change around the world. In Mali and Nigeria, we are working with local and international partners and governments to address drivers of conflict and build community resilience to conflict and violence. Across East Africa, our programmes bring together private sector, government, international organisations, and community stakeholders to create market-driven solutions to increase productivity and incomes for small hold farmers. In Jordan, we work with schools to provide training to teachers and help create new systems to support inclusive learning for people with disabilities.

Looking towards the year ahead, I am excited about MCNL’s prospects and ambition. Year by year, MCNL is better placed to contribute to the global organisation’s commitment to helping people and communities cope, adapt, and thrive, and truly contribute to building more inclusive, resilient futures for communities and the most marginalised within them. I would like to thank our MCNL team and the teams across Mercy Corps programmes for the incredible work that they do to meet this commitment and our donors and partners whose generous support to our mission makes this possible.

As a new Board Chair, I am honoured to have been offered the opportunity to help lead the organisation on this exciting and challenging journey.

With gratitude,

Ludovic Subran
Board Chair, Mercy Corps Netherlands
WHO WE ARE

Mercy Corps is a global team of humanitarians, working together on the front lines of today’s biggest crises to create a future of possibility, where everyone can prosper.

In more than 40 countries around the world, over 5,400 team members work side by side with people living through poverty, disaster, violent conflict, and the acute impacts of climate change. We’re committed to creating global change through local impact — 84% of our team members are from the countries where they work.

We bring a comprehensive approach to every challenge, addressing problems from multiple angles. And we go beyond emergency aid, partnering with local governments, forward-thinking corporations, social entrepreneurs, and people living in fragile communities to develop bold solutions that make lasting change possible. This year as a global organisation, our work touched the lives of over 50 million people.

MERCY CORPS NETHERLANDS

Mercy Corps Netherlands (MCNL) was established in December 2017 as a separate legal entity with its own constitution, operating as a part of the global organisation, Mercy Corps.

Mercy Corps Netherlands is part of a unified global organisation, Mercy Corps, which 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 registered in Scotland with offices in Edinburgh and London;
- Mercy Corps Netherlands (MCNL) a Dutch entity registered in the Netherlands with offices in The Hague and Geneva.
- Other affiliated entities of the global organisation.

Mercy Corps Netherlands shares the global organisation’s mission, vision, core values, and charitable objectives, as well as operational resources for the implementation of programme activities. MCNL maintains an independent governance structure and decision making in relation to those programmes for which it is directly responsible. Mercy Corps Netherlands contributes to the strategic objectives of the global Mercy Corps organisation through effective stewardship and management of resources, raising income, building influence, and delivering impact.

STRATEGIC FRAMEWORK

Our Mission

Mercy Corps exists to alleviate suffering, poverty and oppression by helping 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.

Vision for Change

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 changemakers at local and global levels; and a restlessness to innovate in search of better solutions.

1 In this Report we use “Mercy Corps” to refer to the global organisation and MCNL, MCE, and MCG to refer to these individual legal entities.
What We Do

Three core strategies guide our work:
We empower people to find opportunity during times of crisis. In moments of transition — disaster, conflict, political upheaval, economic collapse — the status quo is challenged and windows of opportunity for change emerge. We often enter during a humanitarian crisis, move rapidly to recovery, and then build long-term resilience to recurring shocks and stresses.

We catalyse locally owned solutions. Local leaders and communities must co-create, lead and ultimately own anything we do, engaging markets and promoting good governance.

We seek breakthrough innovations that transform lives. New technology, business models and creative partnerships provide transformational opportunities for overcoming poverty and suffering. We leverage our robust global program platform to identify breakthrough ideas, test them in the field and take them to scale.

Our Guiding Principles

We tackle complex challenges by taking an integrated, adaptive, multi-sector approach, understanding that there are no easy or fast fixes.

We work in partnerships to create sustainable change at scale, knowing no single group can solve the world’s toughest challenges alone.

We believe in evidence and learning. We use data to manage our programs more effectively, understand the impact of our work and influence others.

We use a gender lens. Understanding the role of gender – especially making the right investments in girls and women – is critical to building strength from within.

We are inspired by the potential of young people. Deepening our engagement with young women and men acknowledges their current and future roles as drivers of a more stable and resilient future.

Our Objectives

The Objectives of Mercy Corps 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.

We aim to achieve these objectives by:
• Helping people build secure, productive, and just communities across the globe;
• Providing international relief, development and economic opportunity to meet the needs of people around the world, with a special emphasis on support to countries in transition, refugees and world hunger;
• Educating and informing the public as to the causes of chronic poverty, conflict, suffering, homelessness, hunger and injustice;
• Providing and inspiring innovative, sustainable solutions to climate change and the global challenges arising out of chronic poverty, conflict, suffering, homelessness, hunger and injustice;
• Empowering people to better manage their differences, learn skills that promote peace, and achieve lasting, positive change; and
• To cooperate in any way with organisations with similar objectives and achievements.
Over the last year, the COVID-19 pandemic, climate change and its impacts on food systems and livelihoods, new levels of conflict and displacement continued to unfold and compound on one another. In a context of increasing human and environmental fragility, Mercy Corps strives to build resilience and meet people’s basic needs, helping them to help themselves.
PARTNERING TO HELP PEOPLE FLEEING CONFLICT IN UKRAINE

The humanitarian situation caused by the ongoing conflict in Ukraine is increasingly dire, with millions of people still without access to sufficient food, water, heat or medical care. In February, Mercy Corps launched an emergency response to the evolving humanitarian needs in Ukraine and its bordering countries, Romania and Poland, partnering with organisations across the region who directly serve those who have been affected by the war.

MEETING THE URGENT NEEDS OF DISPLACED PEOPLE INSIDE SYRIA’S PROTRACTED WAR

Syria’s prolonged civil war is now in its eleventh year. More than half of Syria’s pre-war population of 22 million have fled their homes. Some 6.9 million are internally displaced, with more than two million living in tented camps with limited access to basic services, creating a desperate humanitarian crisis inside the country, and for Syrian refugees throughout the region. Mercy Corps has been working in Syria since 2008 and has one of the largest humanitarian responses currently underway in the country, supporting people in North East Syria with enhanced access to protection, health, water, sanitation, and hygiene services, and urgent cash assistance.

SUPPORTING HEALTHCARE WORKERS IN VENEZUELA

The humanitarian crisis in Venezuela has become the second largest international displacement crisis in the world. Working closely with key partners, Mercy Corps is working with people affected by the humanitarian crisis by improving direct access to primary healthcare services. We are providing health workers with cash assistance to ensure continuity and quality of health services as the community continues to deal with the ongoing impact of COVID-19 and shortages in food and medical supplies.

OTHER EMERGENCY RESPONSE AND HUMANITARIAN PROGRAMMES

We have continued to work with communities in Gaza, Yemen and Niger to address urgent needs of those most affected by conflict and provided emergency responses following the volcano eruption in the Democratic Republic of Congo (DRC) and the earthquake in Haiti in 2021.

August 2021 - L’Asile, Haiti. Mercy Corps Haiti distribute kits to families affected by the earthquake that struck Haiti on August 14.
Even in the most challenging contexts, Mercy Corps innovates and invests in programmes that help connect people to the resources that enable them to recover, rebuild and flourish in the aftermath of crisis. We seek to tackle the root causes of conflict and violence, including poor governance and inequitable economic growth, which are the primary drivers of suffering in the world today.
SUPPORTING YOUNG PEOPLE WITH DISABILITIES IN JORDAN WITH ADAPTIVE DESIGNS

From the classroom to building livelihoods, Mercy Corps’ inclusive programme in Jordan helps people with disabilities gain confidence in themselves and their abilities. Our team works directly with Jordanian schools to provide training to teachers and help create new systems to support inclusive learning. We are now collaborating with 65 schools to offer inclusive education, applying Mercy Corps’ unique adaptation workshop for young people with disabilities, including low-cost tools and equipment.

STRENGTHENING COMMUNITY RESILIENCE TO CONFLICT AND VIOLENCE IN MALI

For many years, Mali has suffered from endemic poverty, corruption, and poor governance. The instability of political institutions and the coups de force of August 2020 and May 2021 have plunged the country into an unprecedented crisis. Mercy Corps is working with communities in southern and western Mali to strengthen their resilience to conflict and violence. The programme is supporting communities’ and authorities’ efforts to improve their capacities for conflict prevention, mitigation, and resolution, increase local leadership in equitable and inclusive land and natural resource management, and improve relations between fragile communities and the state, and promote national and regional peace initiatives.

EDUCATION IN EMERGENCY SUPPORT TO DISASTER AFFECTED CHILDREN IN SOMALIA

Somalia remains one of the most complex and long-standing humanitarian crises in the world. Climate shocks, armed conflict, violence and the COVID-19 pandemic have contributed to a deteriorating humanitarian situation. It is estimated that nearly one half of the total population, or 5.9 million people, require humanitarian assistance. We are working to help internally displaced youth access safe spaces to learn and provide school supplies to help them study. We provide teacher training to promote student-centred learning and ensure all children are receiving a high-quality education. In addition, we work with the Ministry of Education to develop and review critical educational policies and guidelines, and to develop strategies to promote girls’ education and teacher training programmes.
OUR PEOPLE

MCNL is managed by a Board of Directors responsible for the oversight of MCNL’s overall performance and development, internal risk management and control systems, as well as the efficient management of financial resources. All powers which are not vested in the Management Board pursuant to the law or the Articles of Association are vested in the General Meeting.

Mercy Corps Netherlands Board of Directors:

Scott Brown - Treasurer (served as the Board Chair from 1 July 2021 to 30 June 2022)
Kito de Boer
Carin Beumer
Gisel Kordestani (until 30 June 2022)
Iman Dakhil
Pepijn van Dijk (appointed September 2021)
Lucy Helm (appointed 1 July 2022)
Ludovic Subran (appointed 1 July 2022; Board Chair from 1 July 2022)

Mercy Corps Netherlands General Meeting Members:

Nicola Cobbold (until 30 June 2022)
Iman Dakhil
Lucy Helm
Gisel Kordestani
Tjada D’Oyen McKenna
Melanie Thomas Armstrong (Appointed September 2021)
Cecily Joseph (Appointed September 2021)
Kevin Ryan (Appointed September 2021, until 30 June 2022)
Alan Hartley (Appointed September 2021)
Lesley Ndlovu (Appointed July 2022)
Emmanuel Lulin (Appointed July 2022)

MCNL Team

At the end of FY22, MCNL team included 30 positions covering support to the existing programmes, new programme development, and administrative and operational needs of the organisation with 21 team members based in The Hague, two in Brussels, six in Geneva and one in Ireland. A Senior Strategic Partnership Manager was hired to lead our engagement with the EC and peer agencies in Brussels and a Senior Finance Manager joined the team in June 2022. MCNL activities in the Netherlands are managed by Marina Antunovic, MCNL Managing Director, who reports to the MCNL Board of Directors and the European Executive Director, and serves on the European Senior Leadership Team.
DIRECTOR’S REPORT

Governance

Mercy Corps Netherlands (MCNL) is registered in the Netherlands as an Association under the Dutch Trade number 70333564 and came into operation on 19 December 2017. The relationship between Mercy Corps Europe (MCE) and MCNL is governed by a Governance Agreement and Memorandum of Understanding (MOU) that also includes Mercy Corps Global (MCG) and which covers matters relating to programmes, funding, governance, intellectual property and other legal affairs. The MOU was updated in January 2021 to reflect MCNL’s updated structure and capacity to manage programmes and operations.

MCNL’s Board of Directors was expanded in FY22 with the addition of one new director. At the end of the financial year, a new Board Chair was appointed. The balance and diversity of Board Directors is closely reviewed by the Boards and the Joint Nominating and Governance Committee, with an emphasis on ensuring that Board Directors provide the specific mix of skills that have been identified as important to the charity’s objectives and activities. All new Board Directors receive a full induction programme to ensure they understand their role and responsibilities, including with respect to safeguarding (which is also provided on an annual basis thereafter).

There are four standing Board Committees made up of Board Directors of MCE, MCNL and MCG and other independent individuals with relevant experience, under specific terms of reference from the Board. Each of the Committee’s report to the MCE, MCNL and MCG Boards at the quarterly Joint Board meetings. These Committees are:

- **Joint Audit and Risk Committee (JARC):** The JARC provides assistance to management and to the Boards 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. It assists with ensuring the integrity of the Mercy Corps consolidated annual statements; the selection, engagement and dismissal of Mercy Corps’ independent auditors and the performance of the Mercy Corps internal audit function. The JARC has oversight of Mercy Corps’ enterprise risk and entity-specific risk management frameworks.

- **Joint Finance Committee (JFC):** The JFC provides assistance to management and to the Boards in fulfilling their oversight responsibility with respect to the financial stability, financial strategy and the long-term economic health of Mercy Corps. It reviews the financial condition, policies, and practices of Mercy Corps and provides reports and recommendations with respect to these to the JBEC and as appropriate to the Boards.

- **The Joint Ethics and Safeguarding Committee (JESC):** The Joint Ethics and Safeguarding Committee (JESC) is chartered to oversee the management and advise the Boards on all ethics matters. The Committee will oversee ethics-related policies, including safeguarding, and management’s implementation of ethics systems (reporting, investigation, training, accountability, case resolution and annual ethics reporting to the board). The Committee will also consider specific topic areas that may arise, such as safeguarding; diversity and inclusion; philanthropy ethics; ethics of technology; ethics in human resources; and ethical challenges in crisis management.

- **Joint Nominating and Governance Committee (JNGC):** The JNGC is responsible for making recommendations for membership, as well as providing advice and recommendations regarding corporate governance practices to the respective Boards of Directors of Mercy Corps.

The Joint Committees are chartered to provide assistance to Mercy Corps management and the Board of Directors in fulfilling their oversight responsibilities on the various matters under each Committees’ remit.
Our Remuneration Policy

Mercy Corps Netherlands compensation package is designed to both attract and retain high-calibre, diverse, high-performing individuals at all levels. MCNL evaluates external market data and internal organisational context on a regular basis to ensure that our compensation packages are competitive, equitable and represent responsible stewardship of organisational resources.

No remuneration can be granted to the Management Board members. Expenses will be reimbursed to the Management Board members on production of the necessary supporting documentation.

Mercy Corps in Europe maintains a banded pay structure that has been established with input by third-party compensation consultants, which reflects differences in the employment markets of our office locations and respects the level of responsibility for each team member. Additionally, team members can expect annual pay increases based on their individual performance, dependent upon the availability of funds, and informed by the current and next year’s financial position of MCNL.

MCNL’s benefit package includes family friendly and flexible working approaches that assist team members in finding meaningful work-life balance, team member care support, pension scheme and a complementary healthcare programme. To help our team face some of the disruptions and impact of the ongoing pandemic, we enhanced our benefit structures, with the emphasis on flexible working and the addition of Carer’s Leave. We also made sure that appropriate work from home resources were made available to all team members.

Integrity/Code of Conduct

Mercy Corps’ Code of Conduct policy framework applies agency-wide to Board, management and team members, as well as Partners. Mercy Corps has ten Code of Conduct policies comprising:

- Sexual Misconduct Policy;
- Child Safeguarding Policy;
- Preventing Sexual Exploitation and Abuse of Beneficiaries and Community Members Policy;
- Ethics Complaints and Whistleblower Policy;
- Anti-Trafficking Policy;
- Anti-Discrimination, Harassment and Bullying Policy;
- Anti-Bribery Policy;
- Anti-Corruption Policy;
- Conflict of Interest Policy; and
- Preventing Support for and Transactions with Prohibited Parties Policy.

All policies are available in Arabic, English, French and Spanish through our Mercy Corps’ digital library. Mercy Corps’ approach to Ethics and Code of Conduct policies are also publicly available on our website: https://www.mercycorps.org/who-we-are/ethics-policies

The Code of Conduct policies clearly identify the types of prohibited conduct and clearly state that staff must refrain from any acts of misconduct and include the consequences of engaging in conduct that breaches the Code of Conduct policies. Mercy Corps has a zero tolerance approach for abuse, harassment or exploitation and is committed to ensuring physical and psychological safety within our teams and our programmes.

Mercy Corps internal documents contain commitments to ensure equal treatment and non-discrimination on the basis of race, gender, age, religion, sexuality, culture or disability. Refer to the Discrimination, Harassment & Bullying Policy which confirms the commitment to a work environment in which everyone is treated with respect and dignity and which is diverse and inclusive and where working relationships are based on and built around mutual respect, and are free of bias, prejudice and harassment. The Policy applies globally.
In addition, Mercy Corps has set out clearly its global commitment to Gender Equity and racial and Ethnic Diversity. Our gender initiative is one important part of Mercy Corps’ commitment to creating and maintaining a diverse community and we believe it is our responsibility to model our values by ensuring that as much as possible, our teams represent all people in the communities in which we work. Mercy Corps’ Vision for Racial and Ethnic Diversity outlines Mercy Corps’ commitments to diversifying our global leadership team along racial and ethnic lines and to creating an equitable and inclusive workplace to support our diverse talent globally. It outlines the outcomes we plan to achieve and concrete actions we will take, as well as specifying how we will hold ourselves accountable. See our Diversity, Equity and Inclusion webpage. In 2020, Mercy Corps published our Gender Equality, Diversity and Social Inclusion Strategy (2020-2023) which lays out our plan to remove barriers, address root causes of inequalities and model the power of diversity and gender equality in who we are and how we show up as a partner. This document sets out our steps for the next three years for us as an organisation (building on the Vision) and in our programming. Mercy Corps has developed a number of resources to support these commitments, including Gender, Diversity and Inclusion (GDI) Diagnostic tool, Affinity Group toolkit and Mitigating Bias & Advancing Equity in COVID-19 Response.

SAFEGUARDING STATEMENT

As a global humanitarian organisation working with some of the world’s most vulnerable communities, we have an immense responsibility to our programme participants, donors and team members in the countries in which we work. At Mercy Corps, we strive to create an inclusive and safe work environment, where everyone is treated with dignity and respect, free of exploitation, harassment and bias. Central to this commitment is our emphasis on protecting our programme participants and team members from all forms of harm, including any physical, emotional or sexual abuse or exploitation. We take this responsibility seriously and we continue to invest in and strengthen our approach to safeguarding. Mercy Corps Netherlands aligns with Mercy Corps global’s safeguarding approach and code of conduct policies.

The Chief Ethics & Compliance Officer (CECO) leads a stand-alone Ethics and Compliance Department that supports Mercy Corps’ global operations and unifies all of our safeguarding and compliance teams. Regarding Safeguarding, the Ethics and Compliance Department includes the Intake and Investigations Team which is responsible for overseeing all investigations relating to safeguarding allegations and the Safeguarding Prevention Team which includes supporting safeguarding prevention efforts across all countries where Mercy Corps operates.

The Mercy Corps Global Community Accountability Reporting Mechanism (CARM) policy, effective from 1 January 2021, makes it mandatory for all programmes to have systems in place for community members to provide feedback and complaints in a manner that is safe, confidential, transparent, and accessible, enabling Mercy Corps to respond and make any necessary programmatic or safeguarding adaptations and to ensure the safety, security, and empowerment of community members.

Mercy Corps continues to report on our Commitments to Action and progress made following the independent external review into what steps were taken when reports of abuse by Mercy Corps’ late co-founder Ellsworth Culver were brought to the organisation’s attention in 2018. Mercy Corps’ latest report Commitments to Action progress report can be found here.

Mercy Corps’ policies related to safeguarding can be found at - https://europe.mercycorps.org/en-gb/who-we-are/ethics-policies

Mercy Corps’ Global annual Safeguarding Report can be found at – https://www.mercycorps.org/who-we-are/ethics-policies#safeguarding-approach
RISK MANAGEMENT

Risk Statement

Mercy Corps works in fast-changing, often insecure and high-risk environments, delivering its mission in some of the toughest and riskiest places in the world. This means that risks are inherently ingrained in our operations - the problems we seek to address are often entrenched and therefore require innovative approaches, many of which carry risks. However, we believe the potential opportunities these solutions offer are worth the risks, and Risk Management is therefore embedded throughout Mercy Corps, across all levels of the organisation. To operate effectively, bring about the changes we aim for, and safeguard our team members and the people we work with, we assess and respond to the risks we face in accordance with our risk management framework.

Mercy Corps operates as one global organisation, with common exposure to financial, operational, reputational and external risks. MCNL therefore works closely with MCE and MCG to ensure we identify, mitigate and manage risks in our challenging operating environments. Globally, Mercy Corps has an enterprise risk management approach and maintains a global risk register. In addition, MCNL and MCE share an entity-specific risk management framework and accompanying Corporate Risk Register, as both entities are exposed to the same or similar risks.

Enterprise Risk Management globally

Globally, Mercy Corps frames Enterprise Risk as any uncertain significant event or circumstance including strategic, preventable and external risks which could impact the achievement of Mercy Corps’ mission. Enterprise Risk Management (ERM) is a comprehensive approach to helping leadership ensure the appropriate identification, prioritisation, management, mitigation and/or acceptance of Enterprise Risks. The Global ERM Committee in FY22 consisted of: Mercy Corps’ General Counsel, Deputy General Counsel, interim Chief Financial Officer, Chief People Officer, Chief Ethics and Compliance Officer, Senior Vice President of Programs, Chief Development and Marketing Officer, and Mercy Corps Europe interim Executive Director (plus observers). The ERM Committee meets as frequently as it deems necessary to carry out its duties and responsibilities, and in any case no less than three times a year.

Additionally, on an annual basis, key risks are identified for each of our countries of operation by their relevant teams. Mitigating strategies are subsequently developed and managed throughout the year. Risk management is also a key component of “Programme Management at MercyCorps” and programmes designated as complex, either by virtue of size, nature or location, are subject to additional rigour. Most Mercy Corps programmes develop programme risk registers as part of the good project governance and are required by most of our donors.

Mercy Corps also has a wider assurance framework which includes associated policies on health and safety, incident reporting, anti-fraud, bribery and corruption, conflict of interest, management of complaints and grievances, prohibited parties, safeguarding, security, and raising concerns (whistleblowing). These policies aim at ensuring that where incidents give rise to risks, these are identified, acted on swiftly, and reported according to our regulatory responsibilities. Throughout the year, risk-based internal audits of country offices are conducted by the Mercy Corps Internal Audit team. In FY22 seven internal audits and one process review were carried out. Internal audits reports are shared with management and the JARC. Agreed actions and recommendations from each audit are followed up throughout the year and reports on their significant findings and implementation of the action plans are also reviewed by management and the JARC. There is also a report for the JARC on reiterations of previous audit findings, including assessing the volume and frequency of repeat findings and their potential causes and impact. Work continues to aim to reduce the incidence of repeat findings and to determine organisational-wide improvements identified through country internal audits, as well as identifying appropriate resources to support such efforts.
**Risk management at MCNL**

MCNL shares the European Risk Management Framework relevant for risks applicable to the European entities (some of which overlap with risks applicable for Mercy Corps globally). MCNL defines corporate level risk as “uncertainty that could have an adverse effect on the achievement of its mission”. The aim of the Risk Management Framework is to improve MCNL’s ability to deliver its mission.

The European Corporate Risk Register (CRR) sets out key business, operational and financial risks facing the Dutch entity. The CRR is shared with the JARC at their meetings no less than three times a year. Discussions around key risks also take place regularly during the European Senior Leadership management Team meetings. The Board of Directors of MCNL are ultimately responsible for the risk management of MCNL. The Board has the opportunity to assess MCNL’s position and raise queries relating to individual or collective risks.

In FY22, our assessment of risk impact, mitigation measures and adaptations has continued to be framed in the context of the global COVID-19 pandemic, as well as the events in Afghanistan and Ukraine. As at the end of FY22, the significant risks noted by the MCNL Board are assessed to be:

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<td>External</td>
<td>MCNL operations will inevitably be affected by the ongoing political developments in the UK, with Brexit presenting both operational challenges and opportunities for growth.</td>
<td>We are continuing to expand our capacity to undertake additional programme management responsibilities and act as the primary contracting agency for EC funding opportunities and at the same time work on developing new funding streams. Development of a strong EU engagement strategy. In FY22 MCNL obtained the ECHO Humanitarian Partnership Certificate. MCNL has hired an EU Strategic Partnerships Advisor, based out of Brussels.</td>
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<td>Operational</td>
<td>Safeguarding: The impact of this risk includes significant physical and/or psychological harm to participants and/or team members and loss of Mercy Corps reputation in the communities where we work, with the public and with key donors.*</td>
<td>We continue to strengthen our mitigation measures around safeguarding, including in relation to awareness, prevention, reporting, response and investigation when issues arise, as well as substantially increasing HQ and in-country resource and capacity through FY22. New or revised Ethics policies have been adopted globally, together with policy guidance documents and interactive mandatory online courses across the agency. We have developed a Global Code of Ethics and Safeguarding Core Standards which will be rolled out in FY23 to further strengthen our commitments to mitigate safeguarding risk.</td>
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<tr>
<td>Risk Category</td>
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<tr>
<td>--------------</td>
<td>----------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Operational</td>
<td>Safety and Security: Team members are placed at risk and/or harm to participants.*</td>
<td>We have security policies and procedures in place. Guidelines, training opportunities and technical support are also available to all team members to ensure that they are equipped to identify and manage risks inherent within the local context where they work. Health and safety procedures for our work in the Netherlands are evaluated and updated on a regular basis. The COVID-19 crisis forced us into a situation where we exceeded what would be our standard risk threshold related to staff care, including in relation to wellbeing. We therefore added a package of focused mitigations in this regard, including the establishment of a cross Europe staff Wellbeing Steering Committee in FY22.</td>
</tr>
<tr>
<td>Operational</td>
<td>Fraudulent activity: diversion of aid leads to financial and reputational damage.*</td>
<td>We have anti-corruption and anti-bribery policies and procedures in place and internal controls, monitored through internal audit. We have online mandatory training for all team members. We have mechanisms in place for reporting allegations, including an online integrity hotline and our Community Accountability and Reporting Mechanisms (CARM) systems in the countries where we work. In FY22, we carried out a global fraud Risk Assessment. In FY22, we bolstered our global Ethics team to add a Global Director of Fraud Prevention, as well as further country-based / regional ethics positions.</td>
</tr>
<tr>
<td>Operational</td>
<td>Data Protection and specifically non-compliance with GDPR.*</td>
<td>We have data protection policies and procedures in place. MC has adopted a global Responsible Data policy. Policies reviewed and updated for compliance with Dutch and EU specific regulations post Brexit. MCNL sits on the Europe Data Oversight Group which meets regularly. We have mandatory global responsible data training and in addition we provide specific training on GDPR to MCNL staff as part of onboarding and refreshers thereafter. We maintain an MCNL data schedule and our Data Protection Officer carries out a quarterly review to monitor compliance. Following Brexit, we have in place a global Data Sharing Agreement amongst MCE, MCNL and MCG, which is updated in line with the latest Standard Contractual Clauses.</td>
</tr>
<tr>
<td>Financial</td>
<td>Lack of unrestricted income generating cash availability stops European Operations.</td>
<td>Measures in place include tracking retention on projects to ensure more efficient cash management; holding unrestricted reserves at adequate levels; long-term cash tracking tools are being put in place. Under our agency wide MoU MCG provides project working capital until the time of settlement. We have in place mitigation measures including, among others, tracking retention on projects to ensure more efficient management; maintaining unrestricted reserves at adequate levels; and having a reserves policy in place. We continue to pursue fundraising opportunities where possible.</td>
</tr>
</tbody>
</table>

* This risk was identified as one of the key global risks and as such all country offices were asked to include it in their country risk registers.
MONITORING AND EVALUATION

MCNL Programme, Compliance and Finance Officers are responsible for the monitoring and oversight of all aspects of programme implementation, including spending and compliance with donor rules and procedures. This includes internal reporting from country offices to MCNL, regular video/tele conferences with the team in-country and in-country visits. Mercy Corps works with country teams to set up monthly internal reports for programmes so that Programme Officers can review progress on the programme, and support with any upcoming needs. Also, this allows Programme Officers to keep track of any delays or issues which might need further support from relevant technical teams, and/or need to be communicated to a donor.

At the country level, our Monitoring, Evaluation and Learning (MEL) team helps Mercy Corps programme teams to make data-driven decisions and ensures that teams always have the ability to capture data, effectively measure change, and learn from programme outcomes. Our wealth of tools include the DIG (indicator guide), MEL Wiki, TOLA Data (indicator tracking) Wikimedia site and programme examples in the digital library. Our Programme Performance and Quality (PaQ) Unit, globally and with dedicated team members regionally and in country, supports and enables quality programme implementation by establishing and maintaining standards for excellence, championing an evidence-based practice to strengthen programme performance, and leading multi-departmental processes to improve programme management and quality across the agency.

COMMUNICATION WITH STAKEHOLDERS

MCNL monitors and fulfils its contractual reporting obligations to all donors based on well-established programme management procedures applied throughout its operations. Relationships with donors and other stakeholders are managed collaboratively by the MCNL teams based in Europe and the country programme teams. Regular reporting on activities is in place for all donor funded activities.

Information about our activities is shared through our website, social media, and through organisation of and participation in thematic events, contributing to public awareness of our activities and impact. A redesigned website was launched in March 2022. Our past annual reports and financial statements, integrity policies, strategy and governance information are available on the new website. In January 2022, MCNL received the CBF recognition and our information is also available on the designated CBF page.

MCNL’s team in the Netherlands continued to engage with peer agencies and other stakeholders by participating in and hosting targeted events showcasing our programme activities, research and analysis. In May 2022, MCNL became a member of VOICE (Voluntary Organisations in Cooperation in Emergencies), a platform that will allow us to amplify our outreach and engage with peer agencies and policy makers in Brussels.

DONORS AND PARTNERS

MCNL’s fundraising was focused on institutional donors and foundations. Programmes in FY22 have been supported by and implemented in partnership with these organisations:

- Bayer Foundation
- Dubai Cares
- Dutch Ministry of Foreign Affairs
- East West Tea Company
- European Commission (EC)
- European Humanitarian Aid and Civil Protection (ECHO) through partnerships with peer organisations:
  - Cooperative for Assistance and Relief Everywhere (CARE) Netherlands
  - Cooperazione Internazionale (COOPI)
  - Danish Refugee Council (DRC)
  - International Rescue Committee Germany (IRC)
  - Norwegian Refugee Council
  - Solidarités International
  - Oxfam Spain
  - International Organisation for Migration (IOM)
Donors and Partners (cont)

- Irish Aid
- Heineken Africa Foundation
- Netherlands Enterprise Agency and Dutch Ministry of Foreign Affairs (RVO)
- Novo Nordisk Foundation through the consortium managed by the Danish Refugee Council (DRC)
- Shell International
- Swiss Development Cooperation (SDC) through a consortium managed by the Wageningen Centre for Development Innovation.

PLANS FOR THE NEXT FISCAL YEAR

Mercy Corps Netherlands’ (MCNL) overarching objective has been to ensure that Mercy Corps effectively adapts to the shifting European landscape by building the foundations for a strong, robust, financially viable Netherlands based organisation that is actively leveraging strategic partnerships across the European landscapes, complementing and contributing to the strategic objectives of the global organisation.

In FY23, MCNL will expand its activities through increased engagement with donors and policy makers in the Netherlands and in Brussels. In alignment with the new global strategy launched in July 2022, MCNL will focus on four community-level outcomes: ensuring greater food and water security, economic opportunity, and peace and good governance. Through our programs, partnerships, and influence, we support communities to cope, adapt, and ultimately thrive in the face of conflict and climate change. All systems and processes will also help the organisation meet its five core commitments: climate smart, evidence-driven, innovative and creative, locally led, and safe, diverse & inclusive.

CORPORATE SOCIAL RESPONSIBILITY

These five commitments underpin all that we do – regardless of programming interventions or context – and challenge us to be more accountable and to continuously push the boundaries of what is possible:

- Climate Smart: We take bold action to meet the urgency of the climate crisis.
- Evidence Driven: We use data, evidence, and analytics to drive impact, scale what works, and influence others.
- Innovative and Creative: We innovate and work with change-makers to test, co-create, and scale more effective solutions.
- Locally Led: We are intentional about sharing and ceding power, building meaningful partnerships, and centering communities’ voices in all we do.
- Safe, Diverse, and Inclusive: We help create a culture of inclusion for all people that protects, enables, and elevates diverse community members and groups.

Our strong integrity, safeguarding, diversity and inclusion policies and practices, as well as the operational policy frameworks for the effective stewardship of the financial resources entrusted to us ensure that these commitments are embedded in our operations in the Netherlands and the countries where we implement programmes.

Our environmental policy sets out measures to reduce the impact of our operations on the environment and engage with team members, partners, funders and suppliers to ensure sustainable practices are ingrained in our European operations. By ensuring the sustainability of our operations, we strive to build a greener and more resilient way of working.
Mercy Corps Netherlands
Annual Report FY22
(1 July 2021 - 30 June 2022)
12th October 2022

FINANCIAL REVIEW

Full results for the year to 30 June 2022 are set out in the financial statements on pages 23-24. The annual accounts have been prepared primarily in accordance with the Guideline RJ650 in combination with other applicable accounting standards for providing the required insight, which applies to Dutch charitable organisations. The applicable accounting policies are set out on pages 26-30.

Mercy Corps Netherlands (MCNL) is registered in the Netherlands as an Association under the Dutch Trade number 70333564 and came into operation on 19 December 2017. The relationship between Mercy Corps Europe (MCE) and MCNL is governed by a Governance Agreement and Memorandum of Understanding (MOU) that also includes Mercy Corps Global (MCG) and which covers matters relating to programmes, funding, governance, intellectual property and other legal affairs.

MCNL's funding portfolio is primarily made up from EC, corporates, foundations and trusts and international NGOs. In a COVID-19 pandemic disrupted year, we had a strong financial performance significantly better than we had planned. Net income €3.0m (FY 2021: -€1.1m) was due to unrestricted COVID Resilience income recognised in FY20 for which expenditures recognised were in FY21. In the current year, there is a similar grant for the Ukraine Emergency response.

Income

Total income for the year was €16.2m (FY 2021: €3.5), increased by €12.7m, restricted entirely for international programmes. Progress was made during the year to further diversify MCNL’s donor base, with a number of programmes reaching 38 awards across civil society organisations, corporates, trusts and foundations in 20 countries. The largest was €2.7m for cash programming in Palestine in partnership with the NRC, an ECHO funded programme. MCNL was awarded the Humanitarian Partnership Certificate with DG-ECHO in December 2021. In future years this gives MCNL the opportunity to directly lead on ECHO funded programmes compared to prior years where MCNL were in sub-partnerships on ECHO funded programmes. Full detail on sources of income by charitable activity and donors are provided in notes 5, 6 and 7 in the accounts.

Charitable Expenditure

The overall expenditure was €12.7m and total project expenses in the year were €12.2m (FY 2021: €4.1m). Our programmes continued to reach communities in the world’s most fragile and challenging places, delivering critical assistance in Syria, Somalia, Yemen, and Gaza. We also further developed partnerships with the private sector, peer organisations, local communities and community based organisations, to address the drivers of conflict and violence in Nigeria and Mali, and improve the livelihoods and productivity for small hold farmers in East Africa.

Total management and administration costs was €398k (FY 2021: €370k) and reflects continued investment in MCNL resources to further grow our operational capacity.

Financial Risk and Cash

Financial risk is managed by continuously monitoring the cash flow sensitivity resulting from timely delivery of international programmes and timely recognition of unrestricted income. We monitor our global risks closely with oversight by the Enterprise Risk Management Committee and Board oversight.

In a year of COVID-19 disruptions continuing we delivered all our programmatic commitments and agreed on no cost extensions where risk based decisions were agreed with donors. In all circumstances we follow the Dutch Government guidelines and continue to work from home with the aim to safeguard the health and wellbeing of our staff. Globally we are continually reviewing our preparedness and mitigation measures to safeguard the health and well being of our teams and the communities with which we work. In many locations, this involves activating extensive protocols and approaches to mitigate COVID-19 exposure and spread. While there have been some programmatic delays in certain locations there has been no withdrawal of programme funding. Our cost control measures were eased along with COVID-19 restrictions.
easing. However the leadership team remains vigilant across our challenging donor and economic environment and are prepared to defer or avoid variable expenditure where required.

MCNL holds cash in current and deposit accounts with Rabobank. Cash is held in donor currencies and the equivalent EUR holdings stand at €9.7m (FY 2021: €5.3m). The increase in programme funding has increased cash advances by EU donors which constitutes the majority of the cash in the bank.

MCG advances cash to the country operations for MCNL donor funded programmes, and is subsequently reimbursed by MCNL after field teams spend and reconcile the advances. There is also an intercompany payable due to MCE for advances and for expenditures relating to HQ and payroll costs. The net intercompany payable balance to related parties is €2.6m (FY 2021: €1.4m).

Reserve and Going Concern

Further cash flow risk mitigation is provided by the annual review of the reserve policy and the setting of our working capital level. The general and continuity reserves provide comfort that the entity will be able to meet its obligations in case of a significant reduction to sources of funding.

The charity has best practices in place to manage its reserves, and aims to hold reserves against the risk of unexpected losses and to help ensure the ongoing concern of the organisation and any other unanticipated financial risks. The total reserves stand at €4.0m (FY 2021: €1.0m). The increase in restricted reserves materialised in Q4 from the Ukraine Emergency Response programme funding. Income has been recognised but programme activities will follow during FY23. The reserve amount of €3.2m has been therefore designated.

Unrestricted reserves decreased to €0.8m (FY 2021: €1m). The designated portion of this is £0.5m of Continuity Reserve, the remainder are General reserves. The reduction is primarily due to foreign exchange loss with USD strengthening against the Euro. Our funding is primarily in Euros while expenditures are in US dollars, which is managed by holding restricted donor funds in that currency until settled.

The Board of Directors, in arriving at a decision for continuity reserves, have examined the requirement for the fund. The Directors have considered the following points:

- The nature of our work and the vulnerability of grants, contracts, and donation funding flows.
- Quick response to emergencies where immediate mobilisation funds are needed.
- Adequate working capital to meet cash flow needs.
- Cover for potential long-term commitments relating to staff and leases.
- Funders’ viability criteria and other financial risks.

The aim of the continuity reserves is to provide sufficient funds to protect MCNL against unexpected loss from the above. The Board of Directors are mindful of the shifting landscape, continued COVID-19 impact and changing donor environment impacted by economic challenges on a global scale. Consequently, they wish to adopt a prudent approach to reserves. On that basis, the Management Board has maintained a €500k continuity reserve minimum requirement, based on a risk assessment to an equivalent of six months of total operational expenditure.

The Board of Directors are confident that the charity has sufficient funds to meet its liabilities as they fall due and we have prepared these financial statements on a going concern basis. The Strategic Report and Accounts was approved by the Board of Directors on 12th October 2022 and signed on their behalf by:

Ludovic Subran  
Board Chair, Mercy Corps Netherlands
FINANCIAL STATEMENTS

Balance sheet as at 30 June 2022
(after proposed appropriation of result)

<table>
<thead>
<tr>
<th>Note</th>
<th>30 June 2022</th>
<th>30 June 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR</td>
<td>EUR</td>
</tr>
<tr>
<td>Receivables</td>
<td>1 2,432,665</td>
<td>248,370</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2 9,720,037</td>
<td>5,314,185</td>
</tr>
<tr>
<td>Total Assets</td>
<td>12,152,702</td>
<td>5,562,555</td>
</tr>
</tbody>
</table>

Reserves

| General Reserve | 3 319,072   | 531,729 |
| Designated Reserve | 3 3,211,374 | -      |
| Continuity Reserve | 3 500,000  | 500,000 |
| Short-term liabilities | 4 8,122,256 | 4,530,826 |
| Total liabilities | 12,152,702 | 5,562,555 |

Statement of income and expenses for the year 2022

<table>
<thead>
<tr>
<th>Note</th>
<th>2022 BUDGET</th>
<th>30 June 2022</th>
<th>30 June 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate, Foundations &amp; Trusts</td>
<td>5 6,254,874</td>
<td>8,085,549</td>
<td>3,411,877</td>
</tr>
<tr>
<td>Government grants</td>
<td>6 6,304,832</td>
<td>8,150,128</td>
<td>57,576</td>
</tr>
<tr>
<td>Total fundraising income</td>
<td>12,559,706</td>
<td>16,235,677</td>
<td>3,469,453</td>
</tr>
<tr>
<td>Sum of income</td>
<td>12,559,706</td>
<td>16,235,677</td>
<td>3,469,453</td>
</tr>
</tbody>
</table>

Objectives Expenses

| Project Activities |              |              |              |

| Civil Society | 3,410,563  | 3,577,285  | 1,115,337 |
| Economic Development | 4,833,454  | 5,069,732  | 1,580,656 |
| Public Healthy, Water and Environment | 2,449,499  | 2,569,240  | 801,046 |
| Disaster Management | 951,425    | 997,934    | 311,139 |
| Policy and Advocacy | 69,190     | 116,624    | 106,259 |
| Strategy and programmes | 346,193    | 313,492    | 163,418 |
| Sum of expenses on objectives | 12,060,324 | 12,644,307 | 4,077,855 |

Fundraising Expenses | 8 16,274    | 34,141    | 20,226 |

Management and administration expenses | 9 711,166   | 398,401   | 370,463 |

Sum of expenses | 12,787,764  | 13,076,849 | 4,468,544 |

Sum before financial income/costs | (228,058) | 3,158,828 | (999,091) |

Financial gain/(loss) | 10 - (160,111) | (160,111) | (98,527) |

Net income | (228,058) | 2,998,717 | (1,097,618) |
Statement of Cashflow for the year 2022

<table>
<thead>
<tr>
<th></th>
<th>30 June 2022 EUR</th>
<th>30 June 2021 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cashflow from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>2,998,717</td>
<td>(1,097,618)</td>
</tr>
<tr>
<td>(Increase) in debtors</td>
<td>(2,184,295)</td>
<td>(153,505)</td>
</tr>
<tr>
<td>Increase in creditors</td>
<td>3,591,430</td>
<td>2,414,725</td>
</tr>
<tr>
<td>Cash provided by / (used in) operating activities</td>
<td>4,405,852</td>
<td>1,163,602</td>
</tr>
<tr>
<td>Increase / (decrease) in cash and cash equivalents at the end of the year</td>
<td>4,405,852</td>
<td>1,163,602</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>5,314,185</td>
<td>4,150,583</td>
</tr>
<tr>
<td>Total cash and cash equivalents at the end of the year</td>
<td>9,720,037</td>
<td>5,314,185</td>
</tr>
<tr>
<td>Cash and cash equivalents comprise:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Accounts</td>
<td>9,720,037</td>
<td>5,314,185</td>
</tr>
</tbody>
</table>

Appropriation of the result for the year 2022

<table>
<thead>
<tr>
<th>Addition to (withdrawal from):</th>
<th>30 June 2022 EUR</th>
<th>30 June 2021 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>General reserve</td>
<td>(212,657)</td>
<td>(1,097,618)</td>
</tr>
<tr>
<td>Designated Reserve</td>
<td>3,211,374</td>
<td>-</td>
</tr>
<tr>
<td>Continuity Reserve</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total change in reserves and funds</td>
<td>2,998,717</td>
<td>(1,097,618)</td>
</tr>
</tbody>
</table>

The notes to the balance sheet provide further information about the composition of reserves and funds.
NOTES TO THE 2022 ANNUAL ACCOUNTS

General

These are the annual accounts of Mercy Corps Netherlands. Mercy Corps Netherlands (MCNL) is registered in The Hague, Netherlands as an Association under the Dutch Trade number 70333564 and came into operation on 19 December 2017. MCNL is registered in The Netherlands and recognised as an ANBI (Algemeen Nut Beogende Instelling) by the Dutch tax authorities. MCNL is located in The Hague at The Humanity Hub, Fluwelen Burgwal 58, 2511 CJ The Hague.

MCNL was established as an independent, non-profit association and operates in collaboration with its affiliate organisations, Mercy Corps Europe (MCE) and Mercy Corps Global (MCG) as one global organisation. All three entities share the same mission, vision, core values and charitable objectives.

The relationship between MCNL and MCE is governed by a Governance Agreement and Memorandum of Understanding that also includes MCG and which covers matters relating to programmes, funding, governance, intellectual property and other legal affairs. MCNL is an affiliated entity and is consolidated into MCE.

The activities of MCNL consist mainly of providing international development (aid) and economic opportunities for those living in poverty around the world with a special attention of supporting the countries in development, refugees and hunger. MCNL delivers this through local country offices operating projects and programmes in country. MCNL believes 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.

Basis of preparation

The annual accounts 2022 are dated 30 June, 2022. The annual accounts have been prepared primarily, as much as possible, in accordance with the Guideline RJ650 in combination with other applicable RJ for providing the required insight, which applies to Dutch fundraising organisations. The accounting policies have been consistently applied to all the years presented.

The valuation of assets and liabilities and of income and expenses is based on historical cost, unless otherwise stated in the further accounting principles. The assumption of continuity was applied for the preparation of the annual accounts.

The financial statements of MCNL have been prepared on the basis of the going concern assumption.

Budget

The budget forecasting process identifies relevant costs for the financial year ahead and is approved at Board level. The process takes into account current operations and any expected increase or decrease in activity, expected successful proposal developments for new grants, impact of changes in existing grants and expected HQ resource requirements. The budget is reported and compared to actuals on a monthly basis.

There continues to be difference between the budget to actual performance. This is due to the continued growth phase of the organisation, unpredictable nature of securing projects, timing of project expenditure and ability to engage resource in a timely manner. HQ related costs continue to be impacted by the remnants of Covid with reduced travel and other operating costs leading to savings in FY22.

Financial reporting period

MCNL financial year runs from 1 July 2021 to 30 June 2022.
ACCOUNTING POLICIES FOR THE MEASUREMENT OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

General

Unless stated otherwise, assets and liabilities are shown at historical costs.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

Income is recognised in the statement of income and expenses when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

An asset or liability that is recognised in the balance sheet, remains recognised on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken into account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a third party. In such cases, the results of the transaction are directly recognised in the statement of income and expenses, taking into account any provisions related to the transaction.

If assets are recognised of which MCNL does not have the legal ownership, this fact is being disclosed. Income and expenses are allocated to the respective period to which they relate.

Functional and presentation currency

The financial statements of the legal entity are presented in euros, which is the functional and presentation currency of MCNL.

Transactions in foreign currencies

At initial recognition, transactions denominated in a foreign currency are translated into euros, the functional currency of MCNL, at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date into euros at the exchange rate of that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in the statement of income and expenses in the period in which the exchange difference arises.

Non-monetary assets and liabilities denominated in foreign currency that are measured based on historical cost, are translated into euros at the exchange rates at the date of the transactions.
Cash and cash equivalents

Cash and cash equivalents include cash-in-hand, bank balances. Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this fact is taken into account in the measurement.

Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in euros at the exchange rate ruling at that date. Reference is made to the accounting policies for foreign currencies.

Reserves and funds

The additions to and the withdrawals from the reserves and funds take place from the appropriation of results. The general fund is an unrestricted fund which is available for use, at the discretion of the directors, in furtherance of the general objectives of the charity and which has not been designated for other purposes.

Designated reserve

The designated reserve is a reserve to ringfence funds which are to be used for a specific purpose or nature, for example for expenditure relating to a restricted donation for a specific purpose, where there is a timing delay between receipt of income and spend on the cause.

Continuity reserve

The continuity reserves is a reserve to which the Board of directors of the organisation have made a more limited spending option than would exist on the basis of the articles of association. The continuity reserve covers risks that are not addressed in any other designated reserve. The continuity reserve should, for example, create a sufficiently large buffer to enable MCNL to complete or terminate ongoing programmes appropriately and meet its legal and moral obligations in case of a significant shortfall of key sources of funding.

Financial instruments

MCNL do not have an investment policy at this time as all incoming funds are intended for the use on programme objectives and do not hold sufficient reserves to invest in other financial instruments.

These financial statements contain the following financial instruments: other receivables, cash items, trade payables and other amounts payable. Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate.

Financial instruments are derecognised if a transaction results in a considerate part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs.

After initial recognition, financial instruments are valued in the manner described below.

Non-current and current liabilities and other financial commitments

Non-current and current liabilities and other financial commitments are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the statement of income and expenses.

Redemption payments regarding non-current liabilities that are due next year, are presented under current liabilities.
Income recognition

Income

Income is recognised in the period in which there is legal entitlement, any performance conditions attached to the income have been met, the amount can be quantified with reasonable accuracy and there is probability of receipt.

Income is shown within two main categories in the Statement of Income and Expenses: corporate foundations & trusts and government grants.

All incoming funds are intended for the use on programme.

Revenue donations

Unrestricted donations are accounted for as income in the earliest reporting period that they were received or committed to.

Income from companies or government grants

This comprises grants and contracts which are recognised using the performance model. Funds are recognised as income from charitable activities once there is entitlement, reasonable probability of receipt and the amount can be measured with sufficient reliability. Many projects are funded on the basis of claims made for actual expenditure incurred and are subject to post-project operational and financial reports. There remains the possibility that certain expenditure may be disallowed, and all income may not be spent.

Where grant funding is received in advance of MCNL meeting any performance-related conditions, receipts are credited to deferred income until such times as those conditions have been met. The donors have the right to repayment of disallowed expenditure and/or unused funds. Consequently, such income remains deferred until used or repaid, rather than being treated as unspent funds.

Interest income

Interest income is recognised in the statement of income and expenses on an accrual basis, using the effective interest rate method.

Expenses

Wherever possible, expenses are attributed to the expenditure on management and administration or to the objective directly. Where this is not possible, staff costs are apportioned among the functions to which they relate on the basis of estimated time allocation, and other indirect costs are allocated based on the FTE.

Leasing

MCNL may enter into finance and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases. All other leases are classified as operating leases. For the lease classification, the economic substance of the transaction is conclusive rather than the legal form.

At inception of an arrangement, MCNL assesses whether the lease classifies as a finance or operating lease.

Operating leases

If MCNL acts as lessee in an operating lease, the leased property is not capitalised. Benefits received as an incentive to enter into an agreement are recognised as a reduction of rental expense over the lease term. Lease payments and benefits regarding operating leases are recognised to the statement of income and expenses on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the benefits from the use of the leased asset.
Employee benefits

Salaries, wages, social security contributions and pension contributions are taken to the statement of income and expenses based on the terms of employment, when they are due to employees or providers.

Determination of fair value

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and are independent from each other.

Related parties

MCNL, MCE and MCG work closely together under a Memorandum of Understanding and a Governance Agreement. In some instances, organisations will pool administrative and technical resources for the benefit of their respective projects. In such cases a re-charge of the actual costs incurred will be made between MCNL, MCE and MCG.

Related party transactions include any income or expenditure made or received by MCNL on behalf of MCG or MCE, largely relating to personnel and team member expenses incurred.

MCNL own and operate all global field offices from which MCNL projects are delivered, including employing field staff. MCG advance operating funds to the field offices to allow them to finance their project delivery. This expenditure information is reported from the field office to MCNL, and a liability is created to MCG for reimbursement of the advance to the amount of expenditure incurred in USD. This liability is confirmed and settled up to the amount of donor funds available at the time, through a monthly reconciliation process.

Direct expenditure by field offices and / or MCG on MCNL programmatic activity is not treated as related party expenditure.

Fixed assets

Tangible fixed assets are recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably. MCNL currently do not hold any fixed assets. Donated fixed assets are included at fair market value having regard to the age and condition of the assets concerned. All assets financed by donor funding for specific projects are written off at the time of purchase through the statement of financial activities because in the majority of cases the projects are of limited duration and at the end of which the assets can be donated to the ongoing project. Therefore, such assets have not been incorporated in the balance sheet.

Main financial trends

MCNL continues to build on their project activity through an increase in the number of grants entered into, and project expenditure incurred to deliver these grants. This is reflected in the increase in income to €16.2m in FY22 (2021 €3.5m). Project expenditure increased to €12.7m (2021 €4m).

During the financial year, MCNL received a €3m donation in relation to the Ukraine conflict. This contributed to a year end surplus of €3m (2021 deficit €1m). The expenditure relating to this income will occur in FY23 and thus it is expected to see a similar but reverse impact on FY23 year-end net income.

During the year the USD strengthened against other currencies which MCNL hold and receive in donor funds. Settlement of project expenditure occurs in USD due to MCNL’s reimbursement process of MCG’s project funding (See related parties note). MCNL incurred a €160k FX loss (2021 €98.5k loss) in currency related transactions in the year, mainly related to this USD activity.

MCNL’s fundraising efforts during FY22 continued to be focused on institutional donors, foundations and corporate partners. The programme development and resource mobilisation for the resources are built into our programme management cycle and do not generate high costs. As the organisation grows, we will look at diversifying our donor portfolio and expect that this will result in increased fundraising costs, however, still limited to no more than 1% of our total income.
MCNL is committed to making sure that resources entrusted to the organisation by its donors are utilised responsibly and that we deliver maximum impact to the communities where we work. Our programme management, monitoring and evaluation, and internal control processes are designed to allow for tight control over our budget and expenditures, ensuring that donor resources are spent in line with our commitments. They also allow us to make the necessary adjustments during the programme delivery in order to achieve high impact.

**Subsequent events**

**Ukraine**

The war in Ukraine has exacerbated ongoing challenges driven by the Covid pandemic, conflicts and climate change, with vulnerable communities around the world facing the collapse of food systems as a result of global price spikes and supply shortages. Mercy Corps has been at the forefront of global advocacy efforts to bring the attention of developing countries and donor institutions to the growing food crisis, especially in the Horn of Africa and increased its programmatic focus on food security related activities.

**COVID-19**

The ECHO funded project in Pakistan - Strengthening government sector health system and providing immediate emergency response to curtail outbreak of COVID-19 across Pakistan in Punjab, Sindh, Baluchistan and Khyber Pakhtunkwa provinces - closed in December 2021. The Crisis Analytics Team continued to monitor the effects of COVID across our regions through the end of last year but there were no other activities specifically designed to address the pandemic. We concentrated on addressing the secondary impacts through food security, cash assistance and community based awareness programming and ensured that additional safety and protection measures for our team members and programme participants were embedded in all our operating processes.
NOTES TO THE BALANCE SHEET AS AT 30 JUNE 2022

1. Receivables

<table>
<thead>
<tr>
<th></th>
<th>30 June 2022</th>
<th>30 June 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivable from donors</td>
<td>2,070,989</td>
<td>164,173</td>
</tr>
<tr>
<td>Other receivables</td>
<td>39,201</td>
<td>31,278</td>
</tr>
<tr>
<td>Receivables from Related Parties</td>
<td>322,475</td>
<td>52,919</td>
</tr>
<tr>
<td><strong>Receivables</strong></td>
<td><strong>2,432,665</strong></td>
<td><strong>248,370</strong></td>
</tr>
</tbody>
</table>

All receivables are expected to be received within one year and relate to our day to day operations. A provision for doubtful receivables is deemed unnecessary and therefore no provision is recognised for this year (2021: EUR 0).

Receivable from donors relates to funds due from donors for projects in which expenses have already been paid by MCNL as at 30 June 2022.

Other receivables include, for example, prepayments and advances to employees. Receivables from Related Parties include recharged employees and other expenses paid on behalf of MCE and MCG, and partner project advance managed through MCG.

The carrying values of the recognised receivables approximate their respective fair values, given the short maturities of the positions and the fact that allowances for doubtful debts have been recognised, if necessary.

2. Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>30 June 2022</th>
<th>30 June 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents in the Netherlands</td>
<td>9,720,037</td>
<td>5,314,185</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,720,037</strong></td>
<td><strong>5,314,185</strong></td>
</tr>
</tbody>
</table>

The balance of cash and cash equivalents is readily available to MCNL.

Cash is held in donor funds currency including EUR, GBP, USD and DKK.

3. Reserves

<table>
<thead>
<tr>
<th></th>
<th>1 July 2021</th>
<th>Additions</th>
<th>Withdrawals</th>
<th>30 June 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>General reserve</td>
<td>531,729</td>
<td>16,219,951</td>
<td>(16,432,608)</td>
<td>319,072</td>
</tr>
<tr>
<td>Designated reserve</td>
<td>-</td>
<td>3,211,374</td>
<td></td>
<td>3,211,374</td>
</tr>
<tr>
<td>Continuity reserve</td>
<td>500,000</td>
<td></td>
<td></td>
<td>500,000</td>
</tr>
<tr>
<td><strong>Total reserves</strong></td>
<td>1,031,729</td>
<td>19,431,325</td>
<td></td>
<td>4,030,446</td>
</tr>
</tbody>
</table>

The capital consists of a general reserve, a designated and a continuity reserve. The general reserve gives a clear picture of the surpluses / deficits from regular activities. The designated reserve was created to ringfence funds which have been donated to the organisation for use for specific purpose or defined areas of need. In FY22, a large restricted donation was received but expenditure against the intended use of this donation will not commence until FY23, thus the balance remains in the Designated reserve until it is spent out. The continuity reserve was formed to maintain the association and cover related expenses.
### 4. Short term liabilities

<table>
<thead>
<tr>
<th></th>
<th>30 June 2022</th>
<th>30 June 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants received in advance</td>
<td>5,181,469</td>
<td>3,022,599</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>2,637,584</td>
<td>1,352,919</td>
</tr>
<tr>
<td>Payables to personnel – employee expenses</td>
<td>1,705</td>
<td>50</td>
</tr>
<tr>
<td>Audit fee</td>
<td>24,000</td>
<td>28,235</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>228,063</td>
<td>97,276</td>
</tr>
<tr>
<td>Employee holiday allowance accrual</td>
<td>49,435</td>
<td>29,747</td>
</tr>
<tr>
<td><strong>Short-term liabilities</strong></td>
<td><strong>8,122,256</strong></td>
<td><strong>4,530,826</strong></td>
</tr>
</tbody>
</table>

All short-term liabilities are due within one year.

Grants received in advance relates to project income received in advance, or the balance of income held for projects, where performance related conditions have not yet been met.

Payables to related parties with MCNL are the intercompany balance representing funds owed by the Charity to MCE and MCG for funding advances to the charity’s projects and in respect of the settlement of expenditure. Other liabilities include year-end payroll liabilities not yet paid and trade creditors.

The carrying values of the recognised liabilities approximate their respective fair values, given the short maturities of the positions.

### Financial risks and financial instruments

During its normal operations, MCNL is exposed to currency, interest, cash flow, credit and liquidity risks. To control these risks, MCNL has instituted policies and procedures that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the ability of MCNL to fulfil its objectives.

MCNL does not apply nor trade in financial derivatives, such as interest rate swaps, forward exchange contracts or options to control its risks. Its main risk mitigation measures are described below. Any risk relating to liquidity is mitigated through strong project budgeting and cash flow monitoring.

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments.
Credit risk

The probability and impact of financial loss to MCNL due to a bank going bankrupt is mitigated by strict bank assessment procedures when opening a bank account.

The probability and impact of financial loss to MCNL due to the amount of outstanding receivables and concentrations of credit risk is considered low due to the status and reputation of the debtors the organisation engages with and their ability to honour any debts.

Foreign exchange rate risk

MCNL is exposed to currency risk on project obligations that are denominated in a currency other than the contractual currency of the grant contract that relates to such a project. The currencies in which these project obligations primarily are denominated are EUR and USD. The currencies in which MCNL donor grant contracts are denominated are primarily EUR and USD. MCNL policy is to denominate its contractual obligations as often as possible in the same currency as the donor’s currency and to hold bank balances in the donor currency, so that the real exchange rate is closest to the reporting exchange rate. MCG often meet project expenditure on behalf of MCNL resulting in an intercompany balance. FX balances often result due to the nature of underlying project expenditure in local currency, reporting in donor currency and intercompany repayment in USD. MCNL does not hedge with any derivative instruments its estimated foreign currency exposure in respect of forecasted purchases over a future period.

Off-balance sheet obligations and rights

MCNL off-balance sheet obligations and rights are as follows and are further explained in the text below the table.

<table>
<thead>
<tr>
<th></th>
<th>Total EUR</th>
<th>Due in 1 year EUR</th>
<th>Due in 1-5 years EUR</th>
<th>Due after 5 years EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office facility rental</td>
<td>13,674</td>
<td>13,674</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Off-balance sheet obligations</td>
<td>13,674</td>
<td>13,674</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

These obligations are the minimum notice period cover for rented office space.
NOTES TO THE STATEMENT OF INCOME AND EXPENSES AS AT 30 JUNE 2022

5. Income from Corporate, Foundations and Trusts

Restricted income from corporate, foundations and trusts.

<table>
<thead>
<tr>
<th></th>
<th>Budget 2022</th>
<th>2022 EUR</th>
<th>2021 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other companies - grant income</td>
<td>6,254,874</td>
<td>8,085,549</td>
<td>3,411,877</td>
</tr>
<tr>
<td><strong>Total income businesses</strong></td>
<td>6,254,874</td>
<td>8,085,549</td>
<td>3,411,877</td>
</tr>
</tbody>
</table>

Grant income is of a restricted nature and received for the purpose of delivering grant and project activities in line with MCNL’s objectives. Income is recognised in compliance with grant conditions using the performance model and on the basis of claims made for actual expenditure incurred.

6. Income from government grants

Income from governments includes income from individual governments, as well as from governmental bodies and from organisations that receive the vast majority of their funding from governments. All MCNL income from governments is incidental, although part of the income is related to multiyear grants. All grants have an end date and are recognised in the period to which they are entitled.

<table>
<thead>
<tr>
<th></th>
<th>Budget 2022</th>
<th>2022 EUR</th>
<th>2021 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipality of the Hague</td>
<td>-</td>
<td>-</td>
<td>25,000</td>
</tr>
<tr>
<td>Dutch Government</td>
<td>-</td>
<td>-</td>
<td>32,576</td>
</tr>
<tr>
<td><strong>Other Government Grants</strong></td>
<td>6,304,832</td>
<td>8,150,128</td>
<td>57,576</td>
</tr>
<tr>
<td><strong>Total income from governments</strong></td>
<td>6,304,832</td>
<td>8,150,128</td>
<td>57,576</td>
</tr>
</tbody>
</table>

7. Expenses on Objectives

Expenses towards project, policy and advocacy and strategy and programmes are costs related to the implementation of MCNL programmatic activities. MCNL implements its projects itself as well as by partner organisations. Costs of project activities include expenses such as cash distributions, staff costs, materials purchased, location rent, transport costs and office expenses. Costs of policy and advocacy and strategy and programmes include costs of office and personnel.

Total Expenses on Objectives represents 97% of the total annual expenditure of MCNL.

<table>
<thead>
<tr>
<th></th>
<th>Budget 2022</th>
<th>2022 EUR</th>
<th>2021 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project activity expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil Society</td>
<td>3,410,563</td>
<td>3,577,285</td>
<td>1,115,337</td>
</tr>
<tr>
<td>Economic Development</td>
<td>4,833,454</td>
<td>5,069,732</td>
<td>1,580,656</td>
</tr>
<tr>
<td>Public Health, Water and Environment</td>
<td>2,449,499</td>
<td>2,569,240</td>
<td>801,046</td>
</tr>
<tr>
<td>Disaster Management</td>
<td>951,425</td>
<td>997,934</td>
<td>311,339</td>
</tr>
<tr>
<td>Policy and advocacy</td>
<td>69,190</td>
<td>116,624</td>
<td>106,259</td>
</tr>
<tr>
<td>Strategy and programmes</td>
<td>346,193</td>
<td>313,492</td>
<td>163,418</td>
</tr>
<tr>
<td><strong>Total expenses on objectives</strong></td>
<td>12,060,324</td>
<td>12,644,307</td>
<td>4,077,855</td>
</tr>
</tbody>
</table>
8. **Expenses on fundraising**

Expenses on fundraising includes costs of personnel, office and travel spent on fundraising activities and represents less than 0.3% of the total annual expenditure. MCNL do not currently fundraise from individuals thus this % is low.

<table>
<thead>
<tr>
<th></th>
<th>Budget 2022</th>
<th>2022 EUR</th>
<th>2021 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses on fundraising</td>
<td>16,274</td>
<td>34,141</td>
<td>20,226</td>
</tr>
<tr>
<td><strong>Total expenses on fundraising</strong></td>
<td>16,274</td>
<td>34,141</td>
<td>20,226</td>
</tr>
</tbody>
</table>

Management and administration includes the costs of office, audit fees, legal fees and personnel and represents less than 3% of the total annual expenditure.

<table>
<thead>
<tr>
<th></th>
<th>Budget 2022</th>
<th>2022 EUR</th>
<th>2021 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and administration</td>
<td>711,166</td>
<td>398,401</td>
<td>370,463</td>
</tr>
<tr>
<td><strong>Total management and administration</strong></td>
<td>711,166</td>
<td>398,401</td>
<td>370,463</td>
</tr>
</tbody>
</table>

10. **Financial gains/ (losses)**

<table>
<thead>
<tr>
<th></th>
<th>2022 EUR</th>
<th>2021 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange rate differences</td>
<td>(160,111)</td>
<td>(98,527)</td>
</tr>
<tr>
<td><strong>Financial gain/ (loss)</strong></td>
<td>(160,111)</td>
<td>(98,527)</td>
</tr>
</tbody>
</table>

11. **Personnel costs**

MCNL total personnel expenses are specified below.

Average number of FTE 13 (2021: 11).

<table>
<thead>
<tr>
<th></th>
<th>2022 EUR</th>
<th>2021 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross wages and salaries</td>
<td>506,183</td>
<td>351,091</td>
</tr>
<tr>
<td>Pensions</td>
<td>21,307</td>
<td>47,988</td>
</tr>
<tr>
<td>Social Security &amp; benefits</td>
<td>136,662</td>
<td>36,523</td>
</tr>
<tr>
<td><strong>Total Personnel expenses</strong></td>
<td>664,152</td>
<td>435,602</td>
</tr>
</tbody>
</table>

Some MCNL personnel costs are recharged to MCG and MCE for work performed relating to these entities. These costs are not included in the above.
### Attribution of expenses

<table>
<thead>
<tr>
<th></th>
<th>Project activities EUR</th>
<th>Policy and advocacy EUR</th>
<th>Strategy and programmes EUR</th>
<th>Expenses for fundraising EUR</th>
<th>Management and Admin EUR</th>
<th>Total Expenses EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement</td>
<td>3,027,833</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,027,833</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>412,174</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>415,924</td>
</tr>
<tr>
<td>Staff</td>
<td>3,719,109</td>
<td>73,873</td>
<td>250,986</td>
<td>30,667</td>
<td>308,626</td>
<td>4,383,261</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>241,985</td>
<td>362</td>
<td>660</td>
<td>-</td>
<td>2,755</td>
<td>245,762</td>
</tr>
<tr>
<td>Housing</td>
<td>207,007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>207,007</td>
</tr>
<tr>
<td>Office Costs</td>
<td>375,271</td>
<td>14,793</td>
<td>21,583</td>
<td>1,212</td>
<td>23,571</td>
<td>436,430</td>
</tr>
<tr>
<td>General costs</td>
<td>4,230,812</td>
<td>27,596</td>
<td>40,263</td>
<td>2,262</td>
<td>59,699</td>
<td>4,360,632</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,214,191</strong></td>
<td><strong>116,624</strong></td>
<td><strong>313,492</strong></td>
<td><strong>34,141</strong></td>
<td><strong>398,401</strong></td>
<td><strong>13,076,849</strong></td>
</tr>
</tbody>
</table>

The above clarification of the attribution of expenses towards expense categories is in accordance with Annex 3 of the accounting guideline RJ650.

All costs associated with delivering grant programmes are allocated to project activities.

All office support costs are presented under Management & Admin. All fundraising expenses are presented under Expenses on fundraising.

Project expenditure costs include cash transfers to beneficiaries on humanitarian programmes.

Procurement costs include the cost of materials and supplies on capacity building programmes.

Outsourcing costs relate to the cost of contracted services for external consultants and legal fees.

Staff costs include salary, social security, pension and other benefits associated to personnel.

Housing costs include contributions to accommodation for staff working on field programmes and office rent.

Office costs include utilities, printing, postage and stationery.

General costs include vehicle rent & repairs, storage costs, memberships and bank charges.

Personnel costs are allocated based on employee time spent relating to each activity and classification.

Other costs are allocated based on employee time split unless attributable to a specific activity.

At this stage MCNL main objective of project activities relate to project costs through country offices executing project work. With the expansion of MCNL and its operations, core costs and other objective costs will increase however given the nature of project work these costs will remain high going forward.
APPROPRIATION OF THE RESULT

On 12th October 2022, the Board of MCNL discussed the annual report and the financial statements 2022. The Board adopted the annual report and the annual accounts of MCNL, including the proposed appropriation of the surplus. The members of the Board as of 12th October 2022 are:

Ludovic Subran (Chair + Treasurer)
Kito de Boer
Carin Beumer
Pepijn van Dijk
Scott Brown
Lucy Helm
Iman Dakhil

<table>
<thead>
<tr>
<th>EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>General reserve</td>
</tr>
<tr>
<td>Designated reserve</td>
</tr>
<tr>
<td>Continuity reserve</td>
</tr>
<tr>
<td><strong>Total change in reserves and funds</strong></td>
</tr>
</tbody>
</table>

EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred between the balance sheet date and the date on which the Board adopted the annual accounts, which would affect the 2022 annual accounts or the condition of MCNL at the end of the financial year or thereafter. No subsequent events occurred between balance sheet date and the date that the statements were adopted that did not affect MCNL’s figures as of year-end but need to be disclosed due to their significance/nature.

REMUNERATION OF DIRECTORS

The total remuneration of the Managing Director of Mercy Corps Netherland during FY22 was €105,123 which is below the maximum of €125,011 as set by the guideline for Directors’ Remuneration of the Dutch association for fundraising organisations Goede Doelen Nederland (GDN), based on a BSD score (BasisScore Directiefunctie) for Mercy Corps Netherland of 450 points.

The annualized remuneration of the Managing Director, together with all taxable allowances and all employer’s charges, pension compensation and other remuneration for the FY22 was €123,505.

<table>
<thead>
<tr>
<th>EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marina Antunovic</td>
</tr>
<tr>
<td>Director</td>
</tr>
<tr>
<td>Period of employment: 01.07.2021 – 30.06.22</td>
</tr>
<tr>
<td>Hours/week: 40</td>
</tr>
<tr>
<td>Annual income</td>
</tr>
<tr>
<td>Gross salary</td>
</tr>
<tr>
<td>Holiday allowance</td>
</tr>
<tr>
<td>Total director remuneration</td>
</tr>
<tr>
<td>Taxable allowances</td>
</tr>
<tr>
<td>Pension</td>
</tr>
<tr>
<td>Social Security</td>
</tr>
<tr>
<td>Total remuneration and benefits 2022</td>
</tr>
<tr>
<td>Total remuneration and benefits 2021</td>
</tr>
</tbody>
</table>
Alexandra Angulo  
Interim Executive Director  
Period of employment: 01.07.2021 – 05.12.2021  
Hours/week: 3  
Annual income: -  
Gross salary: -  
Holiday allowance: -  
Total director remuneration: -  
Taxable allowances: -  
Social Security: -  
Total remuneration and benefits 2022: -  
Total remuneration and benefits 2021: -  

Michael McKean  
Interim Executive Director  
Period of employment: 05.12.2021 – 30.06.2022  
Hours/week: 3  
Annual income: -  
Gross salary: -  
Holiday allowance: -  
Total director remuneration: -  
Taxable allowances: -  
Social Security: -  
Total remuneration and benefits 2022: -  
Total remuneration and benefits 2021: -  

Alexandra Angulo was Interim Executive Director for MCE and MCNL in FY22 (1 July 2021 – 5 December 2021) and their salary is fully paid for by MCE and not recharged to MCNL.

Michael McKean is Interim Executive Director for MCE and MCNL in FY22 (5 December 2021 – 30 June 2022) and their salary is fully paid for by MCE and not recharged to MCNL.

No loans, advances or guarantees were given to MCNL directors.

The equivalent of €12,080 (£10,367) of the Interim Executive Director salary was contributed in kind to MCNL by MCE.

**REMUNERATION OF BOARD MEMBERS**

No remuneration is offered to Board members and no loans, advances or guarantees existed in 2022. In 2022, no expenses were incurred for Board members.
ADOPTION OF FINANCIAL STATEMENTS

The Financial Statements are prepared by the management of MCNL. The Financial Statements were unanimously adopted by the Board of MCNL in its meeting of 12 October 2022, held online.

Ludovic Subran
Board Chair, Mercy Corps Netherlands

Signed and attach: Auditors Report
INDEPENDENT AUDITOR’S REPORT

To: the Board of Vereniging Mercy Corps Netherlands

Report on the financial statements 2021/2022

Our opinion
We have audited the accompanying financial statements 2021/2022 of Vereniging Mercy Corps Netherlands, based in Den Haag.

In our opinion, the financial statements of Vereniging Mercy Corps Netherlands (‘the organization’) give a true and fair view of the financial position of the organization as at 30 June 2022, and of its result for the year then ended in accordance with the Guideline for annual reporting 650 ‘Fundraising Institutions’ of the Dutch Accounting Standards Board.

The financial statements comprise:
- The balance sheet as at 30 June 2022;
- The statement of income and expense for the year 2021/2022;
- The cash flow statement for the year 2021/2022;
- The notes, comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the ‘Our responsibilities for the audit of the financial statements’ section of our report.

We are independent of Vereniging Mercy Corps Netherlands in accordance with the ‘Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten’ (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor’s report thereon.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.
We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirement of the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Responsibilities for the financial statements and the audit

**Responsibilities of management and the Board for the financial statements**
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 650 ‘Fundraising Institutions’ of the Dutch Accounting Standards Board. Furthermore management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the organization's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the organization or to cease operations or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the organization’s ability to continue as a going concern in the financial statements.

**Our responsibilities for the audit of the financial statements**
Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud of error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have. Maintained professional skepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining and audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement may involve collusion, forgery, intentional omissions, misrepresentations or the intentional override of internal control.

- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control.
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- concluding on the appropriateness of management’s use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the organization’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the organization to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Hague
12 October 2022

For and on behalf of
SCHIPPER & PAUL ACCOUNTANTS

Original has been signed by
J.G.M. Schipper MSc RA