

Adopted (May 2017) by PONT Supervisory Board & updated (October 2019 & May & December 2021)



Version 4

Prespa Ohrid Nature Trust (PONT)
Operations Manual
(for Non-Grant-Making Activities)

Explanatory Note

This Operations Manual attempts to condense various provisions of the PONT's charter, by-laws, board decisions and operating practices into a practical handbook of operations intended to be useful to employees and board members, donors and potential donors, and the PONT's partner countries and grantees interested in its mode of operations. The manual covers all matters relating to PONT's non-grant making operations, from organization and board matters to financial management.

Separate documents cover PONT's grant-making and investment activities, and PONT's overall operations should be understood in the context of all three documents, as well as its charter and by-laws.

This Operations Manual is subject to modification at any time by the PONT Supervisory Board. This Operations Manual draws on the experience made by the Caucasus Nature Fund (CNF). All provisions governing procedures for acquiring goods and services and others are subject to any more strict procedures agreed to by PONT in any grant agreement with a PONT donor.

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1 PONT

The Prespa Ohrid Nature Trust (PONT) was recognized as a private, legally independent grant-making foundation (“Stiftung”) under the foundation law of the State of Hessen on November 2015, with TAX identification No.04725013576. Its head office is c/o Nature Trust Alliance, Friedrich-Ebert-Anlage 36, 60325 Frankfurt am Main, Germany. PONT is a non-governmental, not for profit foundation, with the **mission** to:

“Conserving nature for a sustainable future in the Prespa-Ohrid ecoregion through long-term partnerships and financing”

In establishing the updated Management Board by-laws, the Supervisory Board has, by vote of a qualified majority, determined that the Focus Area includes the Wider Prespa Area, the Wider Ohrid Area, and the Korab-Shara/Albanian Alps Transboundary Conservation Area including ecological corridors between these areas. Accordingly the by-laws now designate the Wider Prespa Area, Wider Ohrid Area, and the Korab-Shara/Albanian Alps Transboundary Conservation Area including ecological corridors between these areas as the Focus Area. A separate Grants Manual provides information about PONT’s purpose, funding priorities and expected outputs. It also includes a map of the PONT Focus Area.

PONT is using various back-office and related **shared services** from the Nature Trust Alliance (NTA) based in Frankfurt and has established a **Regional Programme Office (RPO)** in Albania to support the implementation of the PONT’s programme. The operations of RPO and, insofar as they support PONT, NTA will be conducted in a manner consistent with this Operations Manual.

2 ORGANIZATION

2.1 Governance

2.1.1 Supervisory Board (Article § 9-12; SB by-laws § 1-3; MB by-laws § 2 & 8)

Composition, term, remuneration and liability Supervisory Board

- The Supervisory Board is governed, convenes its meetings and adopts resolutions in accordance with the provisions of the charter and further detail set forth from time to time in the by-laws for the Supervisory Board.
- The Supervisory Board is comprised of at least three members and no more than nine.
- MAVA, KfW (acting on behalf of BMZ), and WWF Greece each dispatch one member as “third-party appointed members”.
- The Supervisory Board can elect further members with qualified majority if they meet certain criteria (“board-elected members”).
- If the Supervisory Board elects members who are representatives of government or semi-governmental organizations in the Focus Region, such board-elected members shall represent less than half of the members of the Supervisory Board.
- A President and Vice-President shall be selected.
- Members of the Supervisory Board may not at the same time be members of the Management Board.
- For both board-elected and a third-party appointed members of the Supervisory Board, his/her single office term in office shall be a maximum of four years. As a rule, up to two renewal appointments are permissible in each case.
- Supervisory Board members perform their duties on an honorary/voluntary basis. Reasonable expenses may be reimbursed. For board members who are appointed by institutions, the Foundation expects that the institutions will cover travel expenses. For board members not representing institutions (“independent board members”) they have an unconditional right to receive a reimbursement for their travel and other expenses (using the PONT travel expense report format based on German tax regulations as annually published on <http://www.bundesfinanzministerium.de>). Independent board members can waive their claim of reimbursement of expenses and make an in-kind contribution to the Foundation. In this case the independent board member will be provided with the appropriate form to claim a tax deduction in Germany (which should also be accepted in other EU jurisdictions).
- Members of the Supervisory Board who conduct their respective office on a honorary/voluntary basis shall be liable towards the Foundation only for their respective gross negligence or wilful misconduct.

- Changes in the composition of the constituent bodies, Management and/or Supervisory Board, must immediately be notified to the foundations supervisory authority (*Stiftungsaufsichtsbehörde*).

Core Supervisory Board tasks

- Establish, implement and amend the Supervisory Board by-laws and the Management Board by-laws.
- Approve the mission statement of PONT.
- Support, advise and supervise the Management Board in its direction of the activities of the Foundation.
- Decide on all fundamental matters.
- Appoint/dismiss of members of the Management Board.
- Conclude, amend and terminate service contracts, if any, of members of the Management Board.
- Assign the role of an Executive Director and a deputy Executive Director to any member of the Management Board at any time. If there is only one Management Board member, he/she shall be the Executive Director which is currently the case for PONT.
- Appoint the auditors. Such audit shall extend to the preservation of the Endowment and the proper use of the Foundation's funds (Hessian Foundations Act § 12 para. 3).
- Give prior consent, acting by simple majority unless otherwise contemplated in the charter, to the following actions:
 - a) approval or amendment of the Foundation's strategy;
 - b) establishment of one or more offices;
 - c) acceptance of additional contributions to the endowment and transferring mergers (*Zulegungen*)¹;
 - d) determination of additional signers by the Management Board;
 - e) approval of the annual budget;
 - f) approval/establishment of the annual accounts including an overview of its assets as well as a report on the performance of the Foundation's purpose;
 - g) any other financial measures, including investments in fixed assets, when the (individual) value of these measures equals or exceeds the amounts specified in the Operations Manual unless, in the aggregate, such measures do not

¹ For compliance purposes a background check of new donors will be conducted and documented by the Management Board so that the Supervisory Board can make an informed decision. This will include the proof of existence of the donor; the identity of the person providing the donation; background/internet research to see if the statutes are available for the public and to verify the source of the funding; if available any concept of "good standing". i.e., would the public know if there were a dispute or a complaint about the work of the donor; and to verify if the capital donation is in line with the regulatory framework, mission and objectives of PONT.

- exceed the annual non-grant (administrative/operational) budget by more than 5 percent for a given year;
- h) use of endowment; any further matters or measures listed in § 11 para. (3) or in § 14 (Amendments to the charter, spin-offs, transferring / joint mergers and termination of Foundation) of the Charter which require a decision or a resolution of the Supervisory Board;
 - i) subscription to or acquisition of participations (whether controlling or not) in one or more companies; acquisitions, encumbrances or dispositions of real property or rights equivalent to real property;
 - j) borrowing money or granting security for any such borrowing; providing guarantees, assuming similar liabilities in favour of a third party; encumbering or disposing of shares or other participations in companies or partnerships (other than assets held as part of the Foundation's investment portfolio, which shall be subject to the procedures of the Investment Policy);
 - k) any transaction or measure outside the Foundation's ordinary course of business; any other matters specified in the charter as requiring Supervisory Board action; any other matters as determined by the Supervisory Board from time to time.

2.1.2 Management Board (Article § 7-8; MB by-laws § 3-5 & 7 & 9)

Composition, term, remuneration and liability Management Board

- The Management Board is comprised of at least one and maximum four members.
- The Supervisory board appoints the members of the Management Board.
- The term in office for a member of the Management Board is maximum three years. A member's term might be renewed (whether once or several times).
- Members whose principal activity is their Management Board membership may, besides reasonable reimbursement of their expenses, receive reasonable compensation if the Supervisory Board decided this prior to the commencement of the respective compensation period.
- Members of the Management Board who conduct their respective office as their principal activity shall be liable towards the Foundation also for simple negligence.
- Members of the Management Board who conduct their respective office on an honorary/voluntary basis shall be liable towards the Foundation only for gross negligence or wilful misconduct.

Responsibilities Management Board

- Development of the Foundation's strategy for proposal to, or consent by, the Supervisory Board.

- Development of Grant Guidelines and granting of foundation funding, monitoring and evaluation of grants in accordance to the approved Grant Guidelines by the Supervisory Board.
- Development of an Operations Manual and budgeting and financial administration in accordance to the approved Operations Manual by the Supervisory Board.
- The preparation of annual budgets, annual financial statements and the report on Foundation activities to fulfil its purpose.
- Commissioning of external advisors where deemed required for a particular task.
- Fundraising and if instructed by the Supervisory Board development of a Fundraising Strategy to be approved by the Supervisory Board.
- Investment (see 2.2.1.2 for more details).
- General Administration.
- The Management Board has the position of a statutory representative. It represents the Foundation in and outside court (except where the Foundation is represented by the Supervisory Board pursuant to § 9 para. 4, § 11 para. 3 b), para. 4).
- Compliance with agreements with donor and related donor reporting.
- The Management Board convenes its meetings and adopts resolutions in accordance with the by-laws for the Management Board.

Management Board reports to the Supervisory Board

- The Management Board must present to the Supervisory Board once a year annual accounts including an overview of the Foundation's assets as well as a report on the performance of the Foundation's purpose (§ 9 para. (3) of the Charter). The annual accounts including the overview and the report shall be presented by May 31 of the year following the financial year to which the annual accounts refer.
- In addition, the Management Board shall present in each year semi-annually reports to the Supervisory Board within two months after the end of each semi-annual period (by August 31 for the period ending June 30 and by February 28 for the period ending December 31) outlining the Foundation's economic situation, in particular regarding funding by the Foundation and contributions received during the current financial year.
- The Supervisory Board shall consider annually an Entlastung for the Management Board after approval of the financial statements and completion of the audit.

2.1.3 Executive Director (MB by-laws § 2)

Responsibilities Executive Director

- The Executive Director is responsible for the coordination of all activities of the Management Board and the management of PONT including the management of employees.
- The Executive Director shall represent the Management Board and the Foundation in external relations, in particular towards donors, other foundations and not-for-profit companies, NGOs or governmental, scientific or academic institutions, bodies or agencies, economic organizations and media.
- The Executive Director shall have responsibility for leading the Management Board in its cooperation and communication with the Supervisory Board and its members. He/she shall inform the president of the Supervisory Board on a regular basis regarding the state of business and the situation of the Foundation. He/she must report to the president of the Supervisory Board without delay if there are important reasons for doing so or if there are business issues that may have a significant impact on the situation of the Foundation.

2.1.4 Committees (Article § 12 (9) & (10); SB by-laws § 4)

- The Supervisory Board may establish any committees that it considers needed for more effectively or efficiently carrying out the Foundation's business based on a terms of reference, available resources and for a given timeframe. The established committee reports to the Supervisory Board.
- A committee has to consist of at least one member of the Supervisory Board and at least one outside expert/advisor appointed by the Supervisory Board.
- A committee is entitled to invite Management Board members as well as outside experts and advisors (information persons) to its meetings in order to take part in its deliberations. Supervisory Board members who are not committee members are also entitled to join the committee meetings.
- The Supervisory Board can dissolve established committees.

2.1.5 Duties of Confidentiality (SB by-laws § 6; MB by-laws § 10)

- It is the duty of the PONT Supervisory Board, Management Board and employees not to disclose non-public information, even after leaving PONT.
- It is their duty not to use non-public information for their own benefit or the benefit of a third party.
- PONT's documents have to be returned if requested.

2.1.6 Conflict of Interest (SB by-laws § 7; MB by-laws § 11)

Definition

- A “conflict of interest” exists whenever a PONT Board² member or officer/employee, directly or indirectly, is in a position to approve or influence decisions or actions of PONT from which such Board member or officer/employee would derive an individual economic benefit, or is affiliated with someone who would derive an economic benefit.
- A Board member or officer/employee is deemed to be “affiliated” with an entity if such Board member or officer/employee:
 - Serves as a member of a governing body of the entity
 - Serves as an officer or employee of the entity
 - Has a material economic relationship with the entity or
 - If the person’s spouse, parent, sibling, child, or member of the immediate household, holds such a position or has such a relationship

Proceeding

- If a conflict of interest exists, immediate disclosure is necessary.
- The respective Board will decide as to the existence of a conflict of interest or an affiliation; the affected Board member, officer/employee will abide by the decision.
- No Board member shall vote on, or participate in the decision-making process of, any matter in which such Board member has an interest (as defined above) subject to a resolution of the Supervisory Board adopted with Qualified Majority (§ 12 para. (5) of the Charter) that allows such member to vote and/or to participate. The Supervisory Board may, by majority vote of the non-interested members, ask any interested Supervisory Board member in any matter before the Supervisory Board, not to participate in the Supervisory Board's deliberations on such matters and to leave the meeting when such matters are discussed and voted on; provided, that, the interested Supervisory Board member may participate in any discussion regarding such Supervisory Board member's exclusion.
- No individual or entity with which a Board member or officer is affiliated shall receive any special consideration by the Board, and no Board member or officer shall attempt to influence other Board members or officers/employees regarding matters before the Board in which they are interested, without first disclosing that interest to the full Board.
- If any contract or grant is presented to the Supervisory Board in which a Board member has an interest, or is affiliated with a contract party, a committee composed of the non-interested Board members shall be formed to review, and approve or reject such contract or grant.
- The Supervisory Board may adopt additional policies on conflict of interest.

² In case “Board” is mentioned it means both Supervisory Board and Management Board unless specified otherwise.

2.2 Administration

2.2.1 Sources of the Foundation's Budget and Financial Management

2.2.1.1 Administration of PONT's Assets (Articles § 4 & 5)

Endowment capital

- The endowment capital is to be preserved (Civil Code § 80(2); Hessian Foundations Act § 5, 6(1); Articles § 4(3)).
- Up to 10% of endowment capital can be used if necessary, and replenishment is possible within six years (Articles § 4(4)).
- Apart from this, only income and capital appreciation can be used, including, consistent with a steady, market-oriented development of the foundation's funding, in whole or in part, capital gains that it earns from investing the capital.

Assets in general

- Donations designated for use (so-called "sinking funds") belong to the other assets of the Foundation and are not subject to the principle of asset preservation.
- The Foundation is entitled to accept donations from public and private, domestic and foreign donors, provided such donations are not tied to requirements incompatible with the charter.
- The entire amount of any current use gifts (*Spenden*) must be spent within the near-term (*Zeitnah*) i.e. until the end of the second calendar year after the year of receipt for its charitable purposes and may not be reinvested under German Tax Law. Donors may specify a shorter period of time.
- The Foundation is entitled to establish one or more reserves in accordance with the tax law provisions governing the not-for-profit status.

2.2.1.2 Investment and spending guidelines (MB by-laws § 6)

- The Supervisory Board, with the assistance of the Management Board and other advisors as requested, shall develop and adopt an investment policy governing the investment of the Foundation's assets (the "Investment Policy"), which shall contain appropriate provisions for risk, diversification, sustainability and the like. All investments will be made in accordance with the Investment Policy. The Investment Policy shall be made available on the Foundation's web site, excluding its Annexes if they are deemed sensitive by the Management Board.
- The Foundation shall, through a competitive process and with the approval of the Supervisory Board, engage an experienced investment advisor to advise and assist the

Foundation in connection with its investments and the further engagement of investment managers.

- The Supervisory Board of the Foundation has appointed an Investment Committee which, together with the Executive Director, is responsible to the Supervisory Board for investments as set forth in the Investment Policy.
- The Foundation will adopt a spending policy. Initially, the policy will take account of the availability of sinking funds, current use donations and other revenue sources as well as income and gain (see 5.4 for more detail on the initial proposed spending policy). This initial spending policy will need to be revised once the sinking funds have been depleted. The spending policy shall follow a long term financial sustainability principle, which means e.g. that significant short term fluctuations (increases followed by decreases) of the grant programmes should be avoided as much as possible.

2.2.1.3 *Budgeting (Article § 9(2))*

- The spending policy will be taken into account in budgeting issues.
- The Management Board will prepare an annual budget for submission to the Supervisory Board. The budget will include: a grants budget and non-grants budget, as well as a budget for expected income.
- The Supervisory Board, supported by the Management Board and with input from the investment consultant, is responsible for ensuring budget sustainability, taking into account the rates of return on PONT's assets, global economic conditions, current and predicted rates of inflation, PONT's committed and expected grants, and donations committed to PONT.
- The annual budget is to be adopted by the Supervisory Board by the date set by the Supervisory Board. Until the adoption of the new budget, the Management Board may authorize spending for administrative expenses on the basis of the amounts approved in the previous year's budget. Grant spending may proceed on the basis of previously approved grants.
- Within the framework and specified restrictions of the budget, the Management Board may re-allocate between non-grant budget items. In addition, the Management Board has overall authority to exceed the annual non-grant budget by not more than 5%. Investment expenses are not budgeted for as part of the administrative budget as they are reduced from the gross return on investment which gives a net return on investment. In that way they are excluded from the annual administrative budget. The Management Board (with the support of the NTA staff and the investment consultant) shall ensure that investment expenses are in line with the projection of the approved annual budget (as part of the income sheet). In case of significant discrepancies it will inform the Supervisory Board.

2.2.1.4 *Spending for Administrative and Similar Purposes*

Euro amounts in this Section will be adjusted from time to time as necessary taking into account inflation or deflation and the size of PONT's operations. All provisions governing procedures for acquiring goods and services are subject to any more strict procedures agreed to by PONT in any grant agreement with a PONT donor. Spending limitations apply to expenses incurred for PONT's own administration and operations (including PONT RPO), and not to expenses for grants and other grant related expenses.

Total administrative costs (see Annex 7.1)

- Define clearly administrative costs and all other cost items related to administration and operation of PONT.
- Sound financial practices should govern administrative costs and other non-grant expenses.
- In 2020 PONT is supposed to be fully operational and in that year the target is for PONT's administrative costs to be less than 20% of its total annual budget (grants plus non-grant expenses). PONT reports on this ratio in its annual report and financial statements. The basis upon which it is calculated is set forth in Annex 7.1 and is kept available on PONT's web site.

Business Trips / Travel

➤ By the Executive Director

- The Executive Director may engage expenses for his/her travel in accordance with his/her contract and German law. S/he will be reimbursed for the cost of economy class airplane and rail fare and reasonable hotel costs and ancillary expenses, in accordance with German and Albanian law tax limits, including any applicable per diems. Reimbursement for fuel costs and a per kilometre fee for use of the Executive Director's private car shall also comply with such limits.
- The Executive Director will seek to schedule his/her travel efficiently and prudently in line with the approved budget.

➤ By Europe (NTA)- and Albania-based Employees

- To be approved by the Executive Director
 - Reimbursement for train and airplane travel in coach (second) class as well as for hired cars
 - Reimbursement for reasonable hotel costs and for ancillary expenses on a per diem basis in accordance with German and Albanian law tax limits

PONT company car

- PONT may maintain a car in Albania for the use of its staff in the Focus Area. Rules in relation to the use of such a company car are set forth in Annex 7.2.

2.2.2 Procurement guidelines

PONT doesn't do business with or have relationships with persons, organizations or entities which are listed on a sanctions list issued by the United Nations Security Council, the European Union or the Federal Republic of Germany ("Sanctions Lists").

Expenditures for equipment and supplies and related services

- The Management Board or its delegates are to seek two or more offers for all expenditures for equipment and supplies and related services in excess of EUR 5,000, and three or more offers for all such expenditures in excess of EUR 10,000. If possible, the offers shall be in writing and a record of such offers shall be kept.

Consulting services for Administrative/Operating Support

- The Management Board is authorized to engage consultants.
- To the extent practicable, the Management Board will seek to identify annual consulting needs in advance and include budget for same as part of annual budget.
- The Management Board will not spend in excess of greater of EUR 20,000 without prior Supervisory Board approval.
- If the amount to be paid in fees for the services in question in any given year exceeds EUR 7,500, the Management Board will develop terms of reference for such services and seek to ensure that the consultant operates within those terms of reference.
- For services where a competitive market exists (e.g., homepage development, legal services other than those offered on a pro bono basis, accounting and similar services), absent a compelling sole source justification, if the amount to be paid in fees for the services exceeds EUR 20,000 in any given year, the Management Board will seek at least three offers for such services in any given year.

Hiring of employees

- The Executive Director may hire employees consistent with the budget.

3 BANKING AND BANK ACCOUNTS

3.1 Investment Account(s)

PONT separately tracks the status of each endowment and sinking fund contribution per donor and also tracks reserve assets that are invested on a medium- to long-term basis. As an internal operating procedure, at least two signatures are required for the transfer of any of such assets to PONT's current accounts for paying its own administrative and operating expenses and grant expenses. The signature policy of PONT is kept as a separate file and is aligned with the overall operating procedures outlined in this Operations Manual. For the payment of investment fees, the investment institutions have been authorized to withdraw their fees quarterly from the investment account.

As a rule, funding for operating/administrative expenses will be advanced twice per year, covering six months of budgeted expenses plus a small contingency. Funding for grant-making operations will typically be withdrawn on an annual or semi-annual basis determined by the Supervisory Board from time to time.

3.2 Current Accounts

PONT uses its current accounts to pay for grant expenses and operating and administrative expenses within limits (including those set forth in this Operating Manual) approved by the Supervisory Board. PONT maintains current accounts in Germany. PONT RPO also maintains a current account in Albania to pay its own operating expenses (which are part of the overall PONT budget).

In the German account from which PONT's main European operating expenses are paid, the two signature philosophy is reflected in our procedures with our bookkeepers who also can provide payment services. PONT provides a payment request with the appropriate documentation signed by the delegate (NTA Director) of the Executive Director. Our bookkeepers or another NTA staff member then effect the payment of the indicated amount(s).

In the west Balkans, PONT implements its four eyes principle policy at its Albanian banks through internet banking. The Executive Director authorises the payments which are verified by the PONT RPO Office Manager and NTA Financial Manager on a monthly basis.

Exceptions to the two signature requirement also exist for corporate credit card transactions. The Executive Director authorizes employees to have a corporate card where necessary. Corporate cards are to be used exclusively for business purposes. Current accounts on which credit cards are issued have relatively modest balances (usually no more than EUR 25,000 except for the current account in Germany on which only the Executive Director's card is issued). In addition, the card issuer sets transaction limits that apply to the cards.

PONT maintains an up to date list of signature authorities at its various banks.

4 FINANCIAL REPORTING AND FINANCIAL STATEMENTS

4.1 Accounting

Fiscal Year

- The fiscal year is the calendar year.

Maintenance and contents of books

Proper books shall be maintained as necessary to properly record and account for:

- PONT assets, including:
 - Endowment capital, sinking funds and other contributions classified appropriately as unrestricted or dedicated to a particular country;
 - Current use donations; and
 - Any tangible assets (equipment, etc.) owned by PONT.
- PONT liabilities, including a schedule of committed grants showing in reasonable detail the scheduled date of disbursement
- PONT revenues, including income on investments and gift commitments to cover operating expenses; and
- PONT expenditures for grants and non-grants (in line with Annex 7.1).

Accounting Function

- For as long as PONT does not employ an internal accountant for such purposes, it shall outsource its bookkeeping to an external service provider. PONT (i) provides its external bookkeepers with appropriate documentation of all revenues and expenditures appropriately coded in line with proposed annual budgets and reporting for recording by the bookkeepers in the proper category, and (ii) maintains copies of all such documentation. Examples include travel expenses, expenses for supplies and utilities and the like
- PONT engages a payroll accountant in Germany and Albania to provide payroll accounting services

4.2 Annual Financial Statements and Board's Annual Report

- The Management Board prepares the annual financial statement (annual accounts with an overview of PONT's assets (*Jahresabrechnung*) with an asset statement and separated depiction of the reserves and a report on the fulfilment of PONT's purpose (*Bericht über die Erfüllung des Stiftungszwecks*) (Hessian Foundations Act § 7 no. 2; Articles § 10(2)). The accounts shall be drawn up pursuant to the regulations set forth in the third volume of the German Commercial Code (*Handelsgesetzbuch*) for large corporations (§ 267(3) HGB), including explanatory notes (*Anhang*) except that no management report (*Lagebericht*)

(§ 289 HGB) shall be required (Bylaws § 6(2)(c)). As such the accounts will include a balance sheet and an income statement and related notes.

- The Supervisory Board shall approve the annual accounts/ annual financial statements annually by resolution at a meeting following approval of the audit (Articles § 9(5)).
- Financial Statements should accordingly be approved at a meeting of the Supervisory Board by a Qualified Majority (Articles § 9(5)) to permit reporting as described below under “Reporting”, by a resolution along the following lines:

Resolved, that the financial statements of PONT for the year XXXX and the accompanying Bericht ueber die Erfuellung des Stiftungszwecks are hereby approved and the Management Board is hereby directed to submit such documents to the foundation authority within the statutory time limit (September 30). The Supervisory Board hereby approves the disposition of funds for the year XXXX reflected in the financial statements.

4.3 Audit

- An external audit is to be undertaken by internationally recognized independent accountant appointed following a tender procedure for a period to be determined by PONT and other participating Conservation Trust Funds in NTA. The audit is to cover:
 - Audit of the annual accounts;
 - Continuing sustainability of PONT’s assets (Hessian Foundations Act § 12(3));
 - Conformity of PONT expenditures with the Articles (Hessian Foundations Act § 12(3)); and
- External audits of PONT’s own offices and operations will be paid by PONT as an administrative expense. Copies of the external auditors’ report will be sent to appropriate German Government authorities and to the main donors of PONT.
- PONT maintains a detailed set of procedures in relation to the preparation of its annual report and financial statements and for the support of its auditors in connection with the annual audit in its "PONT Financial Management Folder."
- On completion of the audit, the audited annual accounts and the report on the fulfilment of PONT’s purpose will be provided to the *Regierungpraesidium* of the *Stiftungsaufsichtsbehörde* within the applicable statutory time limit from time to time in force (note: Hessian Foundations Act § 7 no. 2: requires submission by end September)
- The audited accounts (but not the auditors’ report) and the report on the fulfilment of PONT’s purpose will also be made available on PONT’s web site.

4.4 Other Financial Matters

- Tax filings are to be made with tax authority in accordance with the schedule set by the tax authority

5 OTHER ADMINISTRATIVE PROCEDURES

5.1 Human Resources

PONT implements its operations in conformity with sound financial and human resources practices, in compliance with environmental and social standards (occupational health and safety standards, ILO Labour standards) and employment laws of the country in which it operates. It signs employment contracts with each of its employees which are maintained in the NTA/PONT central office or PONT RPO office. There are HR procedures relating to confidentiality, holidays, working hours and the like. PONT generally advertises for vacant positions on the basis of terms of reference which form the basic job description for the employee who is ultimately hired.

5.2 Information Technology and Privacy

PONT provides computers and related IT equipment to its employees and maintains general policies on computer use. PONT computers have corporate anti-virus software installed. The accessibility of the website and database of PONT is monitored through an IT specialist. Mobile telephone costs are provided to employees who travel frequently as part of their job.

PONT is attentive to its obligations under privacy laws and holds any personal or private data in its possession on its employees and donors in strict confidence.

5.3 Communications

PONT maintains a web site as well as procedures and policies on how to keep it up to date. PONT's trademark is registered in the EU and other jurisdictions, and PONT maintains policies on trademark use. PONT's policy is to publish photographic and other copyrighted material only with the written permission of the owner. PONT adheres to certain communication principles as part of its communication strategy (Annex 7.3).

5.4 Donor Reporting

PONT reports regularly to certain of its donors as required under its grant agreements and maintains a log of its reporting obligations and the required timing for its reports.

The following general hierarchy for earmarking of funds shall apply:

	SPP	North Macedonia	Albania	Unrestricted (e.g. for Protected Areas or other Environmental Actors in Greece)	Operating Costs
1	Dedicated Current Use Donations	Dedicated Current Use Donations	Dedicated Current Use Donations	Unrestricted Current Use Donations	MAVA Operating Costs Grant / Unrestricted Current Use donations
2	Investment Earnings on MAVA Sinking Fund	Investment Earnings on KfW Sinking Fund	Investment Earnings on KfW Sinking Fund	Earnings on Reserves	Investment Earnings on KfW Endowment
3	MAVA Sinking Fund	KfW Sinking Fund*	KfW Sinking Fund*	Investment Earnings on MAVA Endowment	Investment Earnings on MAVA Endowment
4		Investment Earnings on KfW Endowment*	Investment Earnings on KfW Endowment*		KfW Sinking Fund Principal*
5					Earnings on Reserves

*can be used earlier in the hierarchy in appropriate circumstances

6 DETAILED ADMINISTRATIVE PROCEDURES

PONT maintains more detailed procedures in a number of administrative areas. Separate protocols are developed in relation to a number of areas that are kept up to date in a digital file. Annex 7.4 contains a partial list.

Certain others are developed from time to time by PONT staff and approved by the Executive Director. These more detailed procedures are deemed not to be an official part of this Operations Manual and their inclusion here is for completeness. Additions, amendments or deletions to them are not subject to Supervisory Board approval.

7 ANNEXES

7.1 Differentiation between Grant/Programme expenses and Operational expenses

PONT's financial statements will be derived from the accounting codes used in its budgeting and internal controlling system. It is proposed that, as for CNF and Blue Action Fund, the financial statements will be prepared on the "cost of sales" method. The income statement will distinguish between grant programme, programme related and administrative expenses along the lines approved by the PONT SB. It is proposed that PONT follow two efficiency measures to manage its internal costs. The method that will be publicly reported as the "administrative expense ratio" will be the "Middle Way": *Administrative and Fundraising Expense/Total Expense*

It is proposed that the above proposal will be used for CNF, PONT and Blue Action Fund. All three are registered in Germany and the proposal takes German best practices as well as Conservation Trust Fund practice standards into account. In addition, from a management and supervisory board perspective, it is proposed that PONT should also manage to and follow the "All in" method: *Non-Grant Expense/Total Expense*

The delta between this ratio and the first ratio will effectively allow us to monitor how much it costs for PONT to "deliver" its programme—or said another way, to what (limited) extent it is necessary or desirable for PONT to creep into implementation on top of its basic financing role.

More complex administrative structures (on- and off-shore offices), more active involvement with fundraising and lower grant programme volumes and average grant sizes will result in a higher administrative ratio. More complex grant programmes (ministries/agencies/protected areas; environmental actors; trans-boundary) and working with grantees with a limited capacity will mean that internal grant-related costs are higher and thus that the "all-in ratio" of a foundation is higher. Therefore the proposed ratios will be different for CNF, PONT and Blue Action Fund and are to be decided by the respective organizations.

In the case of PONT, we believe that a partnership approach towards grantees (versus a service provider/client approach) is possible and will increase impacts as PONT has a relatively small geographical focus area and limited number of grantees. Interaction and coordination between PONT and its grantees and among the grantees is crucial in this transboundary set-up. This will also tend to increase the overall ratio. For PONT an administrative and fundraising target ratio of 20% was proposed during the feasibility phase when making cash flow projections. Therefore this ratio was incorporated in this first version of the approved Operations Manual. This ratio seems realistic and achievable from 2018 or 2019 onwards, depending on how fast our Albanian and North Macedonian programmes develop.

7.2 PONT Office Car- Rules of Use (proposed policy as adapted from CNF)

1. The car is the property of PONT RPO, not an individual employee. It will be based in Tirana.
2. It will be insured by PONT and insurance will cover professional use by all authorized drivers. Authorized drivers shall be employees of PONT RPO. Insurance will be international insurance covering usage in Albania, Montenegro, Kosovo, North Macedonia and Greece.
3. Car use will be for professional use only. It may be used, for example, for:
 - city visits to other organizations
 - visits to protected areas or environmental actors in the project region
 - visits to North Macedonia and Greece for professional purposes

It shall not be used outside of Albania, Montenegro, Kosovo, North Macedonia or Greece unless special insurance and the consent of the PONT executive director is obtained.

5. If there are conflicting needs for the car it will be used for the more important purpose as determined by the ED.
6. In the event of an accident during the course of professional use, PONT RPO will pay any insurance deductible. In the event of an accident during the course of personal use (only allowed in very rare occasions and upon approval by the ED), the user will pay any insurance deductible.
7. The user will be responsible for paying all traffic violation fines in connection with his or her use.

7.3 Communication strategy/ principles

Communication is a powerful tool for any organization, including those involved in conservation finance. Using communication in a more strategic way will help PONT, to develop trust with its stakeholders, harness commitment from partners, and ultimately contribute towards the long-term success of the foundation. For PONT it is important to establish a communication strategy based on some agreed upon communication principles. As a first step the proposed communication principles are summarised. As a second step it is important to identify the different stakeholder groups. Each audience and purpose of communication requires a different communication approach. Within PONT the following communication principles and preliminary stakeholder groups and communication approaches are proposed.

Communication principles

1. **Speak in one voice in line with the Charter and procedures of PONT**
2. **Credible communication based on facts**
3. **Avoid false expectations based on speculations**
4. **Be transparent and accountable**
5. **Be clear and precise**
6. **Use easy language and keep it as short and simple as possible**
7. **Communicate results based on the programmatic approach and monitoring framework**
8. **Be neutral in case of “non-PONT related” conflicts**

Communication approach per stakeholder group

1. **Supervisory Board** – The Executive Director of the Management Board keeps the Supervisory Board informed about all important matters impacting on PONT. All strategic and content information is communicated either via the Executive Director or via the Supervisory Board member guiding one of the committees established under the Supervisory Board e.g. the joint CNF/PONT investment committee. The first point of contact in the Supervisory Board is the president of the Supervisory Board. In case there are critical developments the president of the Supervisory Board will decide how further information is communicated. The Supervisory Board members communicate to different stakeholders in the best interest of PONT and will inform the Management Board via the Executive Director if needed e.g. fundraising opportunities or critical developments. Communication will be via conference calls; physical meetings; and/or e-mails. E-mail communication is directed to the Supervisory Board members with the relevant programme managers of MAVA and KfW in cc. Communication within the Supervisory Board will be in accordance with the Supervisory Board by-laws.

2. **Management Board / Executive Director** – It is the responsibility of the Management Board to announce any changes in the composition of the Management Board and/or Supervisory Board to the *Stiftungsaufsichtsbehoerde* of Hessen. This will be done via an extract of the relevant Minutes of Meeting in which the changes are endorsed. The Management Board should also adhere to all reporting requirements and/or required no-objection procedures with regard to the Supervisory Board, *Stiftungsaufsichtsbehoerde* of Hessen and in Tirana and donors. Communication within the Management Board will be in accordance with the Management Board by-laws.
3. **Nature Trust Alliance (staff and Partners) & Regional Programme Office** – Staff and Partners of the NTA communicate with each other via an agreed communication protocol. Certain information will be shared via e-mail, skype, conference call and shared secured data mechanisms (e.g. cloud; drop box; server; office 365). These data sharing mechanisms are agreed upon with all partners. Staff of NTA and the Regional Programme Offices will communicate with each other on matters of day-to-day operations in line with their Terms of References and tasks. Required tasks for PONT will be communicated with NTA staff and Partners and RPO staff on a quarterly or half-yearly basis. Bi-weekly virtual or physical meetings will be held to discuss progress and/or constraints.
4. **Stiftungsaufsichtsbehoerde (PONT Germany & RPO in Albania)** – With the help of NTA and the *Steuerberater*, the Executive Director will ensure all communication with the Hessen *Stiftungsaufsichtsbehoerde*. With the help of the Office Manager of the RPO and others if needed, the Executive Director will ensure all communication with the authorities in Tirana.
5. **Governments** – The Executive Director communicates directly to the Ministry of Environment with regard to the grant framework agreements. The entry point is as high as possible within the Ministry of Environment and the Executive Director will clarify how further communications within the Ministry or relevant agencies will follow. Depending on the local situation other Ministries might need to be contacted such as the Ministry of Finance and/or others. Once the grant programme is functioning contacts to other government department can be sought to increase co-funding and/or for improved coordination and to create additional synergies.
6. **Grantees: Protected Area Management bodies, NGOs, research institutions, CBOs, municipalities**– The Executive Director will communicate to grantees on strategic matters related to co-financing; required audits; grant approvals; etc. The PONT strategy and funding priorities are shared and discussed with relevant local and regional authorities, implementing agencies and other donors in the PONT Focus area to strengthen coordination, seek possible future co-funding; avoid duplication and to get inputs to improve upon the strategy. For day-to-day matters also staff of the RPO or consultants can be in direct contact with grantees based on their TOR and assigned tasks. Stakeholders will be informed on general matters via regular news posts and newsletters published via PONT’s website and circulated via Social Media (i.e. PONT Facebook and LinkedIn pages).

7. **Co-financing institutions (other implementing agencies and regional donors)** - The Executive Director will communicate to other regional stakeholders on strategic matters related to possible co-financing; grant approvals; strategic framework; etc. The PONT strategy and funding priorities are shared and discussed with relevant local and regional authorities, implementing agencies and other donors in the PONT Focus area to strengthen coordination, seek possible future co-funding; avoid duplication and to get inputs to improve upon the strategy. For day-to-day matters also staff of the RPO or consultants can be in direct contact with other regional stakeholders based on their TOR and assigned tasks. Stakeholders will be informed on general matters via regular news posts and newsletters published via PONT's website and circulated via Social Media (i.e. PONT Facebook and LinkedIn pages).
8. **Major donors for PONT as an organization (increase in Sinking/Endowment Funds or other donations)** - The Executive Director is obliged to inform current donors as per their specific agreements. With regard to future donors the Supervisory and Management Board Members will be informing each other about possible fundraising potentials. Based on personal contacts and expertise the more specific fundraising tasks will be delegated to certain board members. The potential donors can be divided into regional donors and more general donors. The Executive Director can delegate fundraising research and/or other fundraising tasks to NTA staff and staff of the RPO via the submitted quarterly/half-yearly tasks lists and progress will be discussed via the bi-weekly virtual or physical meetings. PONT will also produce a set of printed brochures which can be used for visibility purposes and to attract potential donors.
9. **General Public** – The general public will be informed via the website of PONT. Job announcements will be advertised via this website and if needed via other media (e.g. advertisement in newspapers or online platforms). General documents will be uploaded to the website which can be downloaded by the general public such as operations manual; framework agreements; grant guidelines; investment policy; PONT Charter; by-laws; conflict assessment). Annual reports will be published via the website to ensure accurate financial and technical information with regard to PONT activities and granting.
10. **Conservation Trust Fund community** – Lessons learned from PONT and/or NTA will be communicated to the Conservation Trust Fund community or IUCN via their networks and platform e.g. Conservation Finance Alliance. The lessons learned will be captured in a format suitable for upscaling to other situations such as the PANORAMA Solutioning approach; in the form of case studies; and others.

7.4 Partial list of detailed administrative procedures

- Basis of accounting and how to maintain accounting trail
- Management of current account and transactions
- Procedures to be followed for salaries, salary increases and salary advances
- Operation of bank accounts
- Management of bank transactions
- Validate bills, invoices, receipts & vouchers for effective accounts management
- Types of checks to be adopted for passing vouchers for payment
- Types of books and documents to be maintained for accounts management
- Procurement, stock and inventory management
- Objectives and procedures for purchases
- Maintenance of stock register
- Development of financial planning and budgeting
- Budget management and planning the financials
- Development of financial reports
- Internal control measures and management information report
- Maintenance of fixed assets register

Sample forms such as:

- Expenses format
- Payment voucher
- Proforma for tour programme and advance requisition
- Bank reconciliation statement
- Sample stock book register
- Sample fixed assets register
- Types of financial report
- Internal control measures