

Annual Report 2020

CVR no. 21518018
Hempel Foundation
Amaliegade 8
DK-1256 København K
Date: 29.04.2021
Chairman: Richard Sand

The Foundation

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CVR no. 21518018
Financial year:
1 January – 31 December

Board of Trustees

- Richard Sand, *Chair*
- Leif Jensen, *Deputy Chair*
- Kim Dam-Johansen
- Birgitte Hagemann Snabe
- Lars Aaen
- Britt Meelby Jensen
- Claus Juul Petersen, *Elected by the employees*
- Henrik Bach Falkenberg, *Elected by the employees*
- Andreas Glud, *Elected by the employees*

Management

Anders Holm,
Executive Director

Auditors

PricewaterhouseCoopers
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Denmark

Editor

Søren Bech Gade

“ If you believe the world will be the same after a crisis, then you are wrong. If you don't know how it will be, but you know it will be different, then you are prepared for whatever comes

J.C. Hempel



Nepal

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The Hempel Foundation

Owner of the Hempel Group
and **dedicated to making
a positive difference**

Rwenzori Mountains National Park, Uganda



The Hempel Foundation is a commercial foundation dedicated to making a positive difference. It is the **sole shareholder of the Hempel Group** – a world-leading supplier of coatings – and a committed philanthropist within the fields of education, sustainable coatings technology and sustaining biodiversity.

The Hempel Foundation was established by Jørgen Christian Hempel, the founder of the Hempel Group, in 1948. Its main purpose is to provide and maintain a solid economic base for the Hempel Group. This stability of ownership ensured by the Foundation provides a long-term framework for the continued prosperity of the Hempel Group. The Hempel Foundation's secondary purpose is philanthropic: To make a positive and sustainable difference around the globe, based on the principles set down in the Foundation's trust deed.

Within our philanthropic work, we have a strategic focus on three areas. Firstly,

empowering children living in poverty to learn. Since 2011, the Hempel Foundation has initiated projects supporting quality education for 280,000 children. Of these 280,000 children, 213,000 children are in projects either currently ongoing or being developed.

Secondly, we facilitate **scientific research into coatings technology.** Coatings extend the lifetime of man-made structures and equipment or give the coated surface a certain function or look. Through our support, we want to help make coatings more efficient and more environmentally sustainable for the benefit of the industry and the common good.

Finally, we work to **sustain the planet's valuable biodiversity.** Since 2019, we have formed partnerships to sustain some of the planet's most important and valuable nature and we are working to raise awareness of one of humanity's biggest challenges.



About Hempel A/S

Hempel's coatings protect and decorate man-made structures, equipment and homes. The company operates in more than 80 countries, and has over 6,000 employees, 28 factories and 12 R&D centres around the globe. Hempel A/S is ultimately 100 per cent owned by the Hempel Foundation.

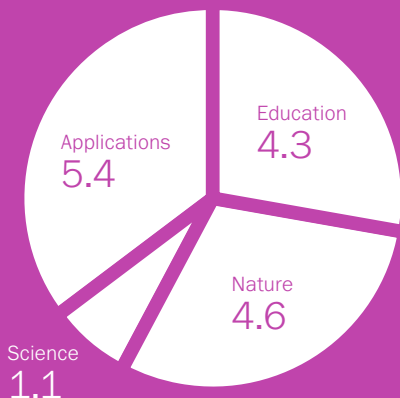
Dividends from Hempel A/S

Dividends from Hempel A/S are still the prime source of income for the Hempel Foundation to serve as a financial reserve and to support the Foundation's philanthropic donations, supplementing the direct income derived from real estate investments and financial investments.

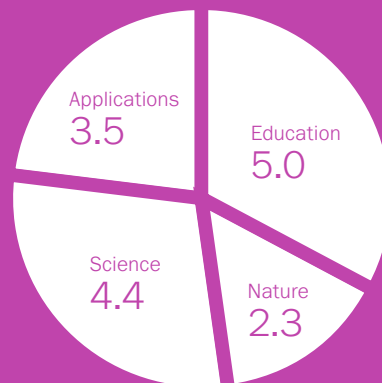
No person or entity owns any part of the Hempel Foundation, which is a self-owning entity. Therefore, no individual shareholder receives any dividends or profit from the Foundation.

There is no link between the commercial interests of the Hempel Group and the philanthropic activities of the Foundation. However, Hempel A/S is by far the principal source of income for the Foundation. Therefore, in the long term, the better the performance of Hempel A/S, the more dividends are paid to the Foundation – and the bigger the impact of the Foundation's philanthropic work.

Donations 2020



Disbursements 2020



(EUR million)

Donations are new commitments in 2020.

Disbursements are payouts from previous years.

Management's statement

Kgs. Lyngby, 29 April 2021.

The Board of Trustees and the Executive Director (Management Board) have today considered and adopted the Annual Report of the Hempel Foundation for the financial year 1 January – 31 December 2020.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Foundation's financial statements give a true and fair view of the assets, liabilities and financial position at 31 December 2020 of the Foundation and

of the results of the Foundation's operations and cash flows for 2020.

In our opinion, the management's review includes a true and fair account of the development of the Foundation's operations and financial affairs, the profit for the year and the Foundation's financial position together with a description of the principal risks and uncertainties that the Foundation faces.

The Annual Report has been submitted for adoption at the Board Meeting.

Management



Anders Holm
Executive Director

Information about each Board member's background, competencies, election period, etc. can be found at hempelfoundation.com/Hempel-foundation/Board-of-Trustees

Board of Trustees



Richard Sand
Chair



Leif Jensen
Deputy Chair



Kim Dam-Johansen



Birgitte Hagemann Snabe



Lars Aaen



Britt Meelby Jensen



Claus Juul Petersen
Elected by the employees



Henrik Bach Falkenberg
Elected by the employees



Andreas Glud
Elected by the employees

Year in review

2020 in the light of COVID-19

Constraints and opportunities

The disruption posed by the global COVID-19 pandemic to almost every sector in every country is well known by now. 2020 was a year of delay, setback and further division through the closure of borders and increasing poverty. But it was also a year of new opportunities and new perspectives on familiar challenges.

Early in 2020, the Hempel Foundation was forced to halt most of its scheduled new philanthropic activities and concentrate efforts and donations on supporting existing partners around the globe. We have witnessed these organisations' dedication and have supported their tireless work to mitigate the devastating consequences of lockdowns, be it to vulnerable school children living in rural poverty or some of the world's most valuable natural habitats.

Our COVID-19 response has been characterised by three courses of action:

- When the COVID-19 pandemic started, our partners' struggle was evident. Our immediate response was to reach out to them to offer our full **flexibility and support**. Activities were postponed and targets extended. Budgets were re-prioritised and project budget reserves were used.
- We made **further donations** to some of our partners most affected by the pandemic. Within education, these additional donations were used to provide extra educational activities, improve school hygiene, create information campaigns and cover basic expenses for the poorest families so they could continue to send children to school. In Denmark, we also strengthened our focus on

and increased our donations to helping vulnerable families.

- Many children living in poverty were out of school for most of the year. This lost year of education will not return. To ensure the intended outcome of our projects, we made donations to **prolong** some of our most affected education projects so that those children not in school due to the pandemic will still benefit in the long term.

Hempel A/S

Hempel A/S saw satisfactory performance in 2020 despite challenging conditions, and is now stronger than ever.

In 2020, the company launched an ambitious new five-year strategy, with focus on sustaina-

bility, digitalisation and innovation, and the goal of doubling revenue by 2025. At the core of the strategy are three principles: to build segment leadership positions in selected geographies and segments, to become the sustainability leader within its core business areas, and to be the trusted partner of its customers.

Building a stronger foundation

The Hempel Foundation is continuously adjusting as it grows organically to prepare for future challenges and ensure conditions are optimal for delivering high impact while maintaining the highest administrative and financial standards. In 2020, we increased focus on building a stronger finance function within the Foundation. A new Finance and Administration Manager was appointed to support this.

4 QUALITY EDUCATION



Education

In 2020, our main focus was our COVID-19 response, but we also revised our education strategy to increase impact and to focus our efforts even more on the children most in need of education and the fight against learning poverty. We set new ambitious targets. To inspire others, and to serve as an overarching goal for our work, we are making a commitment to reach one million children by the end of 2030 with learning interventions that enable them to achieve foundational learning. Furthermore, we want to become a leading development partner and a preferred foundation partner within our focus areas in education.

Nature

We formed new, large and exciting collaborations and partnerships in 2020 to sustain the planet's biodiversity. The global pandemic postponed several summits and opportunities for joint action to reach global biodiversity goals, but the agenda is becoming increasingly dominant, as the urgency escalates.

15 LIFE ON LAND



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Science

Coatings have proven potential to play a key role in a more sustainable future. At the end of 2020, almost four years after its establishment, CoaST – the Hempel Foundation Coatings Science and Technology Centre – had built a sound framework for fulfilling its mission. CoaST is a fast growing and highly diverse international environment, attracting students and staff from 14 different countries.



Education

We align our **education projects** with UN Sustainable Development Goal 4 – **QUALITY EDUCATION**.

As part of our strategy for education, **we focus on two underlying targets** (within our main focus on primary education) against which we assess our performance.



TARGET 4.1



By **2030**, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

TARGET 4.5



By **2030**, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.

Highlights from our direct contributions in 2020

Since **2013**, we have initiated projects supporting quality education for **280,000 children**. In 2020, this work included:

- Building capacity of more than **4,200 teachers** in **500 schools** across **13 countries**.
- Supporting the provision of a tablet-based structured reading programme, along with an innovative coaching model to improve teaching practice, that will help more than **50,000 children** in South Africa improve their reading abilities.
- Supporting 'catch-up classes' for at least **47,000 students** in **1,356 public primary schools** in 5 regions in Madagascar, which will decrease drop-out rates and increase the number of children obtaining minimum proficiency in reading and maths.
- Developing an effective and low-cost scalable model for continuous professional development for **teachers at 50 schools** in Uganda, with the aim of improving children's learning outcomes.

Revisiting our strategy in light of Covid-19

For many children, the need for **educational support increased during the COVID-19 pandemic**, emphasising the relevance of our continued support – and ambitious new commitment to empower children living in poverty to learn.

Though we do not yet know the full impact of the COVID-19 pandemic, we do know that the setback in terms of reaching Sustainable Development Goal 4 – ensuring quality education for all – will be significant. The annual Goalkeepers Report by the Gates Foundation estimates that the global education agenda has been set back by eight years.

The pandemic also had practical implications for our work, as project planning and delivery of learning interventions to children were delayed due to lockdowns of schools and societies in general. In the midst of this crisis, our partners have shown amazing commitment, adaptability and innovation in their efforts to continue supporting children under extremely difficult circumstances. We have sought to support them to the best of our ability by providing additional financial support, ensuring flexibility and adapting administrative procedures to new working conditions and restrictions.

One positive to emerge from 2020 was the innovation and commitment shown by organisations and people working in the frontline to provide children with at least some education support in contexts where no other support is available.

Our 2030 commitment – revising our strategy

In the context of an escalating learning crisis, exacerbated by the COVID-19 pandemic, we revised our education strategy in 2020. In future, we will focus our efforts even more on enabling children who are most in need to achieve minimum proficiency in reading and writing.

We know that education is a prerequisite for addressing poverty and thus also health, gender equality and controlled population development. And, we know that education starts with the basics – reading, writing and arithmetic.

Today, 9 out of 10 children in the world's poorest countries cannot read simple texts

when they are 10 years old. The widespread lack of reading ability and inability to understand a simple text by the age of 10 has been defined by the World Bank as 'learning poverty'. It undermines the ability of many least developed countries (LDCs) to end poverty and achieve sustainable social and economic development.

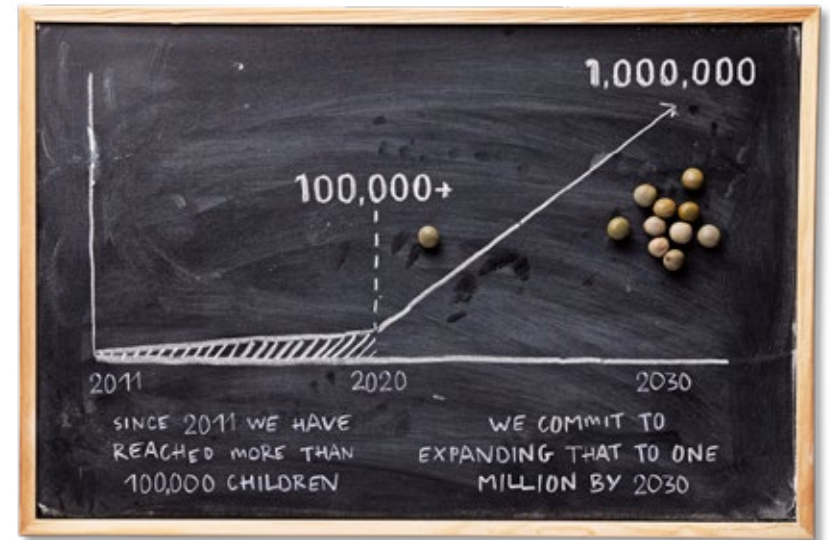
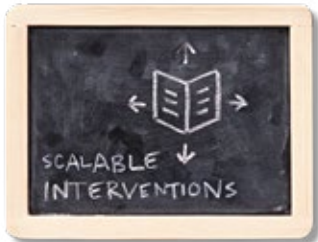
Only through the collective efforts of all key stakeholders within and across countries will it be possible to significantly reduce learning poverty before 2030.

To inspire others and to serve as an overarching goal for our work, we are committed to reaching **one million children** by the end of 2030 with learning interventions that enable foundational learning.

Foundational learning encompasses far more than reading: it also includes numeracy, basic reasoning ability, and foundational socio-emotional skills, among others. But there are several reasons to focus specifically on reading:

- Reading proficiency is an **easily understood metric** of learning.
- Reading is a student's **gateway to learning** in every other area.
- Reading proficiency can serve as a proxy for foundational **learning in other subjects**.

We aim to reach one million children by following **three courses of action:**



Developing and delivering cost-efficient and **scalable learning interventions** with proven potential for impact at scale.

Immediate and large-scale learning interventions are needed to avoid a generation of children in LDCs growing up in learning poverty. This requires the development and delivery of learning interventions that focus on effective approaches with proven potential for delivering impact at scale.

Unleashing the potential of **EdTech** to support the delivery of quality education, through high-risk/high-reward philanthropic investments.

To enable impact at scale that significantly reduces learning poverty by 2030, it is critical that the potential of Educational Technology (EdTech) is unleashed. COVID-19 has demonstrated both the potential of EdTech and its limitations, as those that are most disadvantaged are not able to access various forms of remote learning. The digital divide must be addressed in order to provide equal access for all children to EdTech solutions that can be applied both in and out of school.

3

Catalysing **collaboration**, knowledge-sharing and awareness-raising that can mobilise and sustain efforts to combat learning poverty.

Given the short window between now and 2030, key stakeholders such as governments, multilaterals, foundations and international non-governmental organisations must work together to coordinate and share best practice, as well as bad. Only through the collective effort of all key stakeholders within and across countries will it be possible to significantly reduce learning poverty. Enabling such collective effort requires convening key stakeholders to share new knowledge and raise awareness that can mobilise and sustain efforts to combat learning poverty.



Launch of new projects

As the **COVID-19 pandemic forced countries to close schools**, enforce travel restrictions and prohibit large gatherings, all planned activities were effectively stopped.

Launching a new education project requires the involvement of multiple stakeholders, including government officials, school leaders, parents and local organisations. These stakeholders were not able to meet and decisions had to be postponed. Furthermore, it became increasingly clear that COVID-19 would not disappear after a couple of months, but would have far reaching and significant consequences for children's education and societies.

Despite the difficult circumstances and uncertainties following on from COVID-19, including uncertainties as to when schools would reopen, two projects were launched, albeit with some delay.



Uganda

Developing cost-effective approaches to **teachers' professional development in Uganda**

Together with Save the Children, we will develop an effective and low-cost model for continuous professional teacher development, defined as the “systematic development of attitudes, knowledge, skills, and behaviour patterns required by teachers to perform adequately at their given task or job”.

Currently, teacher shortages are not identified systematically at school level and there are gains to be made by

linking school-level needs with available district-level resources. There is also untapped potential for peer-to-peer support amongst teachers within and between schools.

Ultimately, improved teacher competency, lesson delivery and classroom management will result in improved learning outcomes in literacy and numeracy for children, which is what we aim to achieve through this project.

Partner: Save the Children / **Budget:** EUR 2.0 million / **Duration:** 2020 - 2023
Scope: 50 primary schools, 370 teachers, 8,000 children



Supporting real-time change in teaching and learning through catch-up classes in Madagascar

Together with UNICEF, we will develop a cost-efficient, effective and scalable model to improve the competencies of teachers in catch-up classes and primary schools in Madagascar.

Since 2015, UNICEF has contributed to a national catch-up class programme for out-of-school children at primary school level. The catch-up class programme has traditionally focused on providing children who have dropped out of primary school with the opportunity to attend a two-month accelerated-learning 'catch-up class' during the summer holidays. The catch-up class intends to prepare

these children to return to mainstream public primary school at the level they dropped out or at the next grade level.

This project will enable UNICEF to innovate within the current catch-up class model, strengthening aspects of the programme that have proven successful and experimenting with new elements to improve areas that have not contributed to better learning outcomes as intended.

The project aims to decrease drop-out rates and increase the number of children obtaining minimum proficiency in reading and maths.

Partner: UNICEF / **Budget:** EUR 2.0 million – with additional funding of EUR 1.0 million from UNICEF Denmark / **Duration:** 2020 - 2023 / **Scope:** 2,712 teachers and 47,000 students in 1,356 public primary schools in 5 regions



New commitments

Through existing projects, we provided targeted **support to mitigate the consequences of the COVID-19 pandemic**. We also extended projects in Bangladesh, Bolivia and Guatemala and committed to new projects in Zambia and Sierra Leone.

Bangladesh

Responding to COVID-19 through existing projects

During the initial phase of the COVID-19 pandemic, we decided to target our response towards existing partners and projects. Working with our trusted partners allowed us to move swiftly and, by aligning activities and services with existing projects, delivery was effective and cost-efficient.

The Foundation's COVID-19 response included:

UNICEF

- **Rwanda** Supporting 13,000+ children directly with hygiene/ COVID-19 material packages and group handwashing facilities, including soap and other hygiene supplies, in 16 schools.
- **South Africa** Supporting 57,000 children with digital learning through an online platform and broadcasting.

Save the Children

- **Bangladesh** Supporting 5,100+ children directly with handwashing facilities in 120 primary schools and providing a back-to-school stipend for parents/caretakers.

Oxfam IBIS

- **Bolivia** Distribution of 300 food baskets and providing 7,000 children with free basic school materials when schools open. 20 schools will be equipped with sanitising materials, masks and gloves.
- **Guatemala** Providing 3,000 children with a school bag and school materials, installing handwashing facilities in 29 schools and training teachers to receive children with COVID-19 precautions when schools reopen.

Budget: EUR 0.5 million / Duration: 2020 - 2021



Extending and strengthening projects in Bangladesh, Bolivia and Guatemala

As schools were forced to close due to COVID-19, the activities planned in three of our large projects could not be delivered.

Our partners were granted the flexibility to change their activity plans in response to new demands, such as providing educational support to communities and households, helping parents with ideas to support their children's education using mobile phones, and raising awareness about COVID-19 and good hygiene practices.

As school closures were extended, it became clear that the projects in Bangladesh, Bolivia and Guatemala

would not be able to achieve their initial goals or deliver the activities for children outlined in the original project time frames and budgets.

However, given the circumstances in these countries, we consider these projects more relevant than ever and therefore decided to strengthen and extend our project with Save the Children in Bangladesh (strengthening life skills and reading ability of 8,400 girls through girls' clubs across 120 schools) and our projects with Oxfam IBIS in Bolivia and Guatemala (developing an innovative gender-transformative education model and providing access to quality education for 10,000 girls and boys).

Partner: Save the Children (Bangladesh), Oxfam IBIS (Bolivia & Guatemala)
Budget: EUR 1.0 million / **Duration:** 2019 - 2022

Guatemala





Expanding our collaboration with UNICEF with a **new project in Zambia**

This project will strengthen foundational literacy and numeracy for primary level learners, by developing a learning programme focused on learners in grades 3-5 that can be scaled up to the rest of the country.

Zambia is facing a profound learning crisis. Only 5 per cent of 15-year-old children reach a minimum level of competency in literacy, and just 2 per cent achieve competency in mathematics.

Evidence repeatedly confirms that children can quickly progress and catch up if given simple, practical tools and taught according to their ability rather than grade level or age.

The proposed project will build on gains and experiences from previous programmes to scale up teaching targeted at children's ability level. We will add one additional province in Zambia (Luapula) to the project, while simultaneously learning and applying lessons on how the programme can be sustainably scaled up nationwide.

Partner: UNICEF / **Budget:** EUR 2.0 million – with additional funding of EUR 1.0 million from UNICEF Denmark / **Duration:** 2020 - 2024



Expanding collaboration with VSO (including onebillion and Save the Children) in Sierra Leone

This pilot project – a partnership between VSO, onebillion, Save the Children and the Hempel Foundation – aims to improve learning outcomes for primary school children in Sierra Leone by testing how to most efficiently incorporate educational technology (EdTech) in the classroom.

In 2018, the government in Sierra Leone made a commitment to universal primary education. However, the country lacks the systems and infrastructure to implement it. According to UNICEF, 86.5 per cent of grade 4 students do not know a single letter in English, the official language in Sierra Leone. To address this issue, the project takes a holistic approach to improving early grade learning that blends EdTech with improved teaching practices and child-centred methodologies, as well as building capacity in the education system.

The EdTech used in the project is the interactive software onecourse, developed by onebillion, a non-profit organisation specialised in EdTech. onebillion won the Global Learning XPrize for developing software to aid learning among some of the world's poorest children. The onecourse software has shown to help children significantly improve foundational skills in a number of Sub-Saharan countries, including Malawi.

The project will be integrated into Save the Children's education programme in Sierra Leone, which focuses on building teachers' capabilities and creating an enabling learning environment. The ambition is to scale up the project to national level, based on the findings of the pilot project.

Partner: VSO / Budget: EUR 0.7 million / Duration: 2020 - 2021

Nature



We align our **nature projects** with UN Sustainable Development Goal 15 – **LIFE ON LAND**.

As part of our strategy for nature, **we focus on two underlying targets** (within our main focus on sustaining ecosystems and biodiversity) against which we assess our performance.

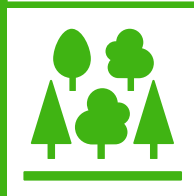


TARGET 15-1



By **2020**, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.

TARGET 15-2



By **2030**, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

Our direct contribution

We are currently supporting conservation projects in Key Biodiversity Areas in six countries covering more than 1.7 million hectares. The carbon storage has been calculated in four of these areas and is estimated to be more than 800 million tonnes of carbon.

- Uganda (Rwenzori) **100,000 ha**
- Ecuador (Llanganates-Sangay Ecological Corridor) **42,000 ha**
- Madagascar (Tsitongambarika) **35,000 ha**
- Indonesia (Singkil Wildlife Reserve) **82,000 ha**
- Democratic Republic of Congo (Okapi Wildlife Reserve) **1,400,000 ha**
- Paraguay (San Rafael Reserve) **72,000 ha**

Examples of activities delivered through our projects

- **Supporting 2,000 households** in Tsitongambarika, Madagascar as they diversify their livelihoods to include new income sources
- **Restoring 1,200 hectares of forest** in the buffer zone surrounding the Rwenzori Mountains National Park in Uganda
- **Improving community well-being** in villages in the Okapi Wildlife Reserve in the Democratic Republic of Congo through access to social services and common goods
- **Helping 300 families** in eight communities improve livelihoods by increasing the annual harvest of environmentally friendly, shade-grown yerba mate in and around the San Rafael Reserve in Paraguay

2020 was supposed to be a critical year for biodiversity with the UN Biodiversity Summit planned for October in Kunming, China. Here, the leaders from countries around the world would review achievements and failures from the past ten years and negotiate a Paris-style agreement for nature. According to the Global Biodiversity Outlook, none of the 20 goals that 193 heads of state committed to in 2010 had been fully achieved by 2020.

With the outbreak of COVID-19, this meeting and other important events related to biodiversity and planned for 2020 were cancelled. Nevertheless, a number of important reports about the state of our global environment put biodiversity high on the agenda in many countries, including Denmark.

The Living Planet Report published in 2020 by the Zoological Society of London and one of our key partners, WWF, provided one of the most comprehensive assessments of global biodiversity ever conducted. In this report, it is estimated that on average the global populations of mammals, birds, fish, amphibians and reptiles plunged by 68 per cent between 1970 and 2016.

The connection between biodiversity loss and the increased threat of zoonotic diseases (such as COVID-19) was another issue that received a lot

of attention. As pointed out by the WHO, the loss of genetic and species diversity and the degradation of ecosystems compromise the complexity of the overall system, making it more vulnerable. Potentially, this creates new opportunities for disease to emerge and increases poor health outcomes both in humans and other species.

Although progress in sustaining biodiversity was discouraging in 2020, the need to strengthen global efforts to prevent further degradation of our ecosystems became even more clear. Hopefully, this will lead to a strong outcome from the postponed UN Biodiversity Summit, which will now take place in September 2021.

The Hempel Foundation's impact in the area of biodiversity may seem small considering the extent of the problem and the global efforts required, but our contributions help catalyse greater change and add significant value to sustaining Key Biodiversity Areas in specific locations around the world.

Our commitment remains strong as we look back at a year in which we were encouraged by our partners' efforts to move our projects forward despite very difficult circumstances. This gives us confidence that positive change can be achieved and the decline of biodiversity can be reversed for the benefit of both people and nature.

Approach



Where we work
Key Biodiversity Areas



What we focus on
Sustaining biodiversity with focus on forests



What we aim to achieve
Sustainable coexistence of people and nature



Who we work with
WWF, Wildlife Conservation Society, BirdLife International, UNEP-WCMC, Green Digital Finance Alliance, ART 2030, UN Live

What is biodiversity?

“The air we breathe, the water we drink and the food we eat all ultimately rely on biodiversity – without plants there would be no oxygen and without bees to pollinate there would be no fruit or nuts. In a nutshell, biodiversity is the variety of life on Earth, in all its forms and all its interactions and without it, there is no future for humanity.”

*Prof. David Macdonald
(Oxford University)*



Launch of projects

Despite delays in finalising project designs caused by the COVID-19 pandemic, **our projects in Ecuador and Madagascar kicked off and activities were begun** to the extent possible considering restrictions on travel and the gathering of people.

Ecuador



Safeguarding connectivity of Key Biodiversity Areas in Ecuador

Ecuador was effectively under lock-down for the greater part of 2020 due to the COVID-19 pandemic. Despite that, our project in the Llanganates-Sangay Ecological Corridor got started.

The Llanganates-Sangay Ecological Corridor connects two national parks in Ecuador. In this project, we are working with the WWF to help protect the corridor and so ensure the flow of plants and animals between the two national parks. With an area of 42,000 hectares, the corridor is

situated in a region of extremely high biodiversity value and contains a number of elements important for ecosystem services. In particular, it contains the Pastaza River, the third-largest river basin in Ecuador and an important watershed.

Threats to the corridor include rapid population growth, water pollution, inadequate land use planning, potential oil exploration and a lack of conservation legislation on a provincial level.

Partner: WWF / Budget: EUR 2.2 million / Duration: 2020 – 2023



Preventing an escalation of deforestation in Madagascar

In early 2020, we visited Madagascar and witnessed both its magnificent nature and the massive deforestation taking place. It was therefore very encouraging that we were able to launch our project in partnership with BirdLife at Tsitongambarika Forest to reduce deforestation rates, which are among the highest in Madagascar.

Tsitongambarika covers an area of approximately 35,000 hectares and its biodiversity is both astonishing and unique.

As in much of the country, deforestation is mainly the result of cultivation

by subsistence farmers, who lack alternative land to grow food. Other threats include logging of precious hardwoods, charcoal production and hunting.

To help end deforestation at Tsitongambarika, the project is providing local communities with the know-how, financial means and opportunity to adopt more sustainable and efficient techniques to grow crops, which should reduce or eliminate cultivation of forest areas, logging of precious hardwoods and charcoal production.

Partner: BirdLife International and Asity Madagascar / **Budget:** EUR 1.0 million
Duration: 2020 – 2025





Accelerating innovative ideas for sustainable financing of Key Biodiversity Areas

Many of the world's protected areas provide water and other valuable ecosystem services for millions of people. However, they remain hugely underfunded and in desperate need of the financial resources required to guard and manage them. The Hempel Foundation is supporting the BirdLife Accelerator Programme, which supports the acceleration of innovative solutions that can attract sustainable financing to protected areas.

In 2020, nine different landscapes in nine different countries took part

in the programme. Due to travel restrictions caused by the COVID-19 pandemic, the programme was delivered through an online format but participants remained committed.

In total, the programme distributed EUR 160,000 in seed grants to enable participants to pilot and refine their ideas. The seed grants were awarded in August and the pilot projects will run over a 12-month period.

Partner: BirdLife International / **Budget:** EUR 0.2 million / **Duration:** 2020 - 2021

New commitments

In 2020, we entered a new partnership with the Wildlife Conservation Society **to support projects in the Democratic Republic of Congo and Indonesia**. We also expanded our existing partnership with BirdLife, by committing **support to a project in Paraguay, and committed support to an innovative project in Uganda** with the Green Digital Finance Alliance.

Democratic Republic of Congo

Safeguarding biodiversity and catalysing sustainable economic growth in the Okapi Wildlife Reserve, DRC

The Okapi Wildlife Reserve is situated in the north-eastern part of the Democratic Republic of Congo (DRC). The Reserve and its surrounding forests encompass more than 4 million hectares, hold 860 million tonnes of carbon and sustain nearly 500,000 people, who depend on natural resources for their livelihoods. The Reserve is also home to the indigenous Efé and Mbuti peoples. Numerous threatened species inhabit the area, including DRC's national animal, the okapi. Due to its vast biodiversity and unique endemic wildlife species, the Okapi Wildlife Reserve is listed as a UNESCO World Heritage Site.

However, the Okapi Wildlife Reserve faces rapidly escalating threats from poaching, wildlife trafficking, illegal mining and excessive exploitation of natural resources.

In 2020, we committed to work with the Wildlife Conservation Society (WCS) to tackle these issues. As the operator of the largest and longest-standing field conservation programme in Africa, the WCS is dedicated to conserving wildlife and wild places. To help the DRC government manage the country's protected areas, the WCS and the Congolese Institute for Nature Conservation have ratified an agreement that confers management responsibilities of the Reserve to the WCS for the next 10 years through a public-private partnership.

Our commitment supports the WCS's protection and management strategy, which strives to safeguard biodiversity, assist and protect local communities, and catalyse sustainable economic growth in the Okapi Wildlife Reserve.

Partner: Wildlife Conservation Society / **Budget:** EUR 1.5 million
Duration: 2021 – 2025



Safeguarding and recovering degraded Atlantic Forest in the San Rafael Reserve, Paraguay

Situated in the south-eastern part of Paraguay, the San Rafael Reserve forms part of the Atlantic Forest, one of the most-threatened biomes in the world, with high rates of deforestation.

The Reserve itself is home to a Mbyá Guarani indigenous community, who recognise the area as their “Tekoha Guasu”, or “Big Home of the Forest”. However, much of the San Rafael area is occupied by large private landowners and dedicated to conventional agriculture (with soybean as the most important crop) and cattle ranching.

The indigenous and small farming communities living in and around the Reserve are at risk, as much of their use of natural resources is not sustainable in the long term. In addition, the Reserve is threatened

by deforestation and forest degradation, inadequate fire management and the encroachment of illegal crop planting and poaching.

This project will help safeguard and recover degraded Atlantic Forest in the San Rafael Reserve and its buffer area, using smart local governance and a landscape restoration approach. The project will support the reconnecting of San Rafael with other key protected areas and will reduce threats to the Reserve by replacing illegal and environmentally destructive livelihoods with sustainable alternatives for local stakeholders. This work will include multi-product farms and native agroforestry systems, thereby empowering local communities to effectively manage their natural resources.

Partner: BirdLife International and Guyra Paraguay / **Budget:** EUR 0.7 million
Duration: 2021 – 2024



Protecting and restoring peatland forest in the Singkil Wildlife Reserve on Sumatra, Indonesia

Located in the Aceh province on the Indonesian island of Sumatra, the Singkil Wildlife Reserve (SWR) is a deep peat swamp forest of immense value for climate change mitigation and human well-being. SWR is a unique part of the Greater Leuser Ecosystem, one of the richest expanses of tropical rainforest in Southeast Asia and the last place on earth where the Sumatran elephant, rhino, tiger and orangutan are found within one area.

SWR provides ecosystem services to 29,000 people. And, although it represents only 4 per cent of the Greater Leuser Ecosystem, it is estimated to contain 40 per cent of the ecosystem's entire carbon stock (roughly 540 million tCO₂e) and 10 per cent of the entire Sumatran orangutan population.

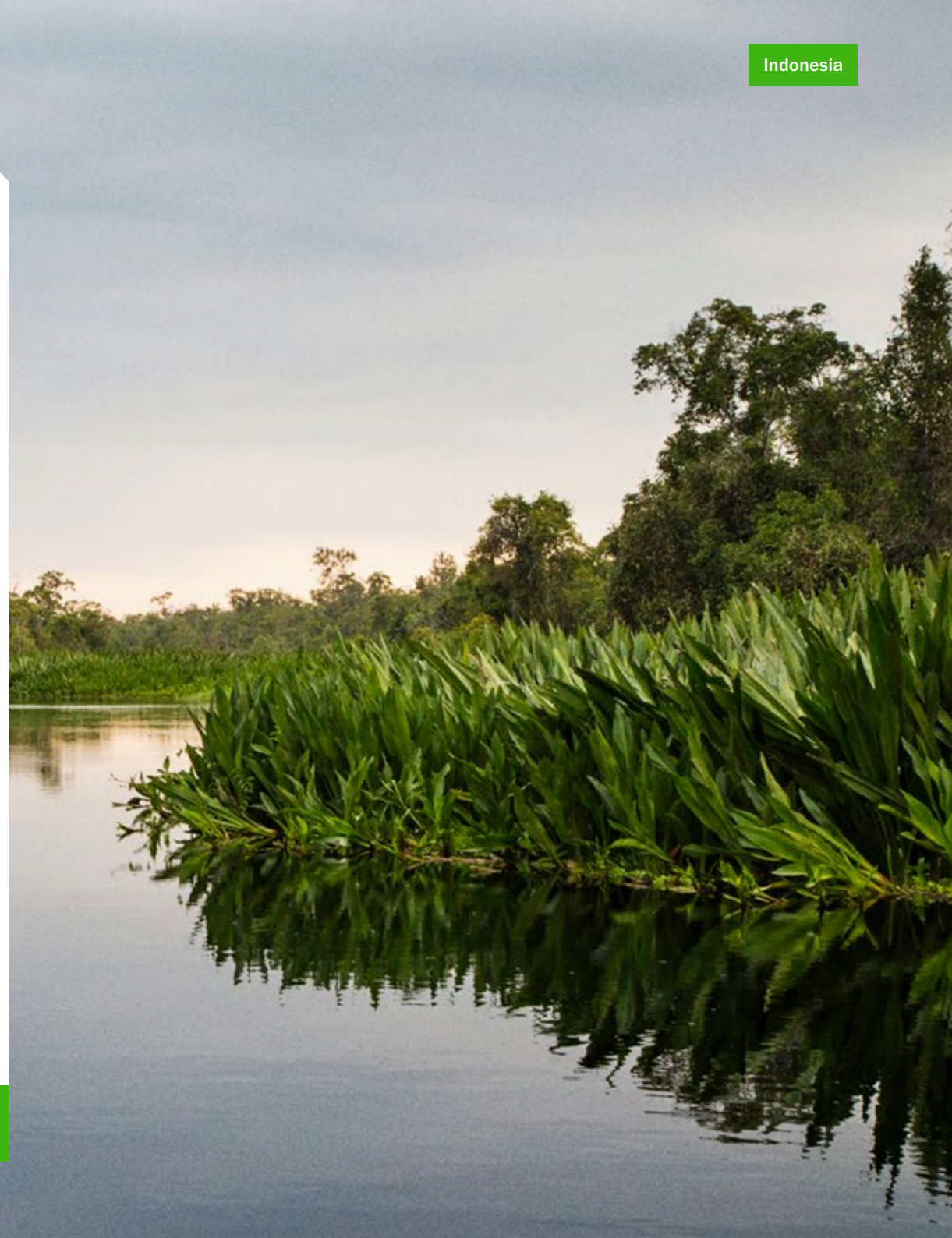
Over the past two decades, 12 million hectares (26 per cent) of Sumatra's primary rainforest have been

clear-felled for exotic monoculture plantations, releasing an estimated 1.56 gigatonnes of CO₂. In the carbon-rich SWR, oil palm cultivation in particular has been one of the main drivers of deforestation.

The total area of encroachment and deforestation inside the SWR is currently small. However, it is of great concern as it has begun recently and, based on forest clearance patterns from elsewhere in Aceh and Sumatra, the practice will continue to infiltrate the reserve.

This project aims to prevent deforestation by constructively encouraging the three major oil palm companies in the area to improve their operations. In addition, it will finance good agricultural practices to improve local livelihoods in what is one of Sumatra's poorest regions, and work to reduce the encroachment of illegal logging and poaching by improving monitoring and protection at the Reserve.

Partner: Wildlife Conservation Society / **Budget:** EUR 1.6 million
Duration: 2021 – 2025



Using digital finance mechanisms to incentivise small-hold farmers to reduce negative impact on biodiversity, Uganda

Uganda has some of the most unique biodiversity in the world. However, it is also one of the countries where deforestation is at its highest. Each year, 2.6 per cent of the country's total forest is cleared to make room for agriculture, produce firewood, etc. This tendency is increasing due to explosive population growth.

A significant contributor to deforestation in Uganda is agriculture – primarily small farms that do not produce sustainably, efficiently or in an environmentally-friendly manner. By influencing the farmers' land cultivation methods, it is possible to reduce deforestation and the loss of biodiversity.

The African continent has the largest share of mobile money accounts in the world. Due to the proliferation of

mobile technology, including digitally based lending/borrowing, in Uganda and other African countries, individual farmers use digital platforms to finance their investments, for example in seeds, equipment and land acquisition. To get a loan, an individual farmer requires a credit rating, which is based on an algorithm that currently does not take into account the farmer's impact on biodiversity. By adding a 'biodiversity criteria' to the algorithm, it is possible to offer lower interest rates to farmers who demonstrate good practice.

This project aims to demonstrate that the negative impact on biodiversity from current land use practices in Uganda can be reduced if biodiversity and climate footprint metrics are integrated into financial decision-making algorithms.



Partner: Green Digital Finance Alliance / Budget: EUR 0.3 million
Duration: 2021 – 2022

Hundested Harbour, Denmark
CoaST test site

Science



Within science, the Hempel Foundation's vision is to establish a **globally leading education, research and innovation centre** to facilitate international cooperation and help make coatings and surface protection more efficient and environmentally sustainable. In 2020, the Foundation donated EUR 1.1 million to CoaST and disbursed EUR 4.4 million of previous donations.

CoaST – a strong and diverse research centre

At the end of 2020, almost four years after its establishment at DTU Chemical Engineering, CoaST – the Hempel Foundation Coatings Science and Technology Centre – had built a sound framework for fulfilling its mission. CoaST now has efficient administrative procedures and data management systems in place, as well as a strong technical organisation that combines both young and very experienced staff. For some years, CoaST was scattered in different locations within the DTU Chemical Engineering department. In 2020, it moved into new offices and completely redesigned laboratories. CoaST is now a physical entity, and staff are looking forward to harvesting the synergy effect.

CoaST is a fast growing and highly diverse international environment, attracting students and staff from all over the world. In total, the staff come from 14 different countries and have a gender distribution of 55% male and 45% female.

At the end of 2020, CoaST had 23 ongoing research projects (1 researcher, 4 post docs, 18 PhD students) and a great number of BSc, BEng and MSc students enrolled for thesis work.

Research

Many CoaST staff worked from home for the majority of 2020 due to COVID-19 related lockdowns. Staff used these periods to accelerate publications in peer-reviewed journals. Most of these can be found in the Web of Science's databases, which provide comprehensive citation data for different academic disciplines. 10 peer-reviewed papers were published during 2020 and closer relationships were built with enterprises and academia around the world.

A strong focus on sustainability

A key area of CoaST's research is increasing the sustainability of coatings over its entire lifecycle, from raw materials and formulation to testing, characterisation, production and application.



MISSION

- Establish a strong research, innovation and education environment at Technical University of Denmark (DTU) supported by an extended global network
- Develop new and improved methods and technologies for the formulation, testing, characterisation, production and application of coatings with improved sustainability profiles
- Establish a platform for cooperation among stakeholders of coating technologies, including universities, raw material suppliers, formulators, producers, applicators and end users
- Attract and train highly skilled students, engineers and researchers to the field of coatings

Within this in 2020, CoaST focused on starting a new research area: Sustainable raw materials for coatings. Three new PhD projects on bio-based materials for coating applications were begun, covering the extraction of bio-based materials, chemical modifications of bio-based materials, and formulation of coatings with bio-based components, respectively. To strengthen this effort, the CoaST team of supervisors was extended and expertise now includes catalysis, high-temperature systems, polymers, enzyme technology and formulation science. Close international cooperation is expected to grow further.

Education

As well as the comprehensive training of BSc, BEng and MSc students for their thesis work, CoaST develops theoretical and practical courses. A Coatings Science and Technology course was run for the first time in the Sino-Danish Center for Education and Research (SDC) in China. The course was introduced at DTU during 2020. Teaching was challenging due to the global COVID-19 pandemic. However, the course still received good evaluations from students.

In addition, CoaST had planned to introduce a practical course on coatings in 2020. However, this was not possible due to the

COVID-19 situation. The course is scheduled to run in 2021.

CoaST Maritime Test Centre

The CoaST Maritime Test Centre at Hundested Harbour, Denmark was established in 2019 and further developed in 2020. Static exposure structures were installed on a 24-metre area of the outer pier and full test capacity (8,400 corrosion-resistant samples or 5,200 fouling control samples) has now been reached. The test site in Hundested is proving very suitable for its purpose and its high test capacity enables CoaST to welcome collaborators from academia and industry who wish to utilise its facilities.

Advisory Board

An Advisory Board advises the Hempel Foundation on progress at CoaST. The members of the CoaST Advisory Board are:

- Jakob Thomasen (Board Professional, Chairman and CEO at JBT Consult), Chair
- Mikko Hupa (previous Rector and Professor at Åbo Akademi University)
- Klavs F. Jensen (Professor at MIT)
- Lars Petersson (CEO of Hempel A/S)

In cooperation with CoaST, the Advisory Board sets clear qualitative and quantitative key performance indicators (KPIs) for the centre.

In 2020, the Advisory Board evaluated CoaST's performance in 2019, based on the centre's 2019 KPI results and observations made by the Advisory Board members. The assessment, supported by the KPIs, was that CoaST achieved remarkable progress during 2019.

Noticeable achievements discussed by the Advisory Board are summarised as follows:

- The performance of CoaST during 2019 was fully satisfactory with noticeably strong progress on the sustainability profile of the research projects and international cooperation
- Good intake of PhD and MSc students (14 in total)
- Good growth of research projects with a portfolio of 30 projects at the end of 2019 (end of 2018: 22)
- Overall KPI delivery showed that CoaST made strong progress on achieving its vision and mission

CoaST is still in the build-up phase. It should reach a relatively stable level during 2021.



Hempel Foundation international projects 2020

Education

New **Zambia**
2021 - 2024 UNICEF
Strengthen foundational literacy and numeracy for primary level learners

New **Sierra Leone**
2020 - 2021 VSO International
Unlocking talent with the support of EdTech

Madagascar
2020-2023 UNICEF
Applying a structured pedagogy framework to achieve real-time change in teaching and learning through catch-up classes

Nepal
2020-2024 VSO International
Inclusive education in Baglung

Uganda
2020-2023 Save the Children
Teacher professional development through the enabling teachers approach

Bangladesh
2019-2023 Save the Children
Empowering girls through education

Bolivia
2019-2023 Oxfam IBIS
Empowering children through intercultural gender-transformative education

China
2017-2021 Save the Children
Quality basic education

Ethiopia
2017-2021 SOS Children's Villages
Access to primary education

Greenland
2018-2022 Consortium
Improving quality of education in public schools

Guatemala
2019-2023 Oxfam IBIS
Empowering children through intercultural gender-transformative education

Indonesia
2017-2021 Save the Children
Making early education matter through books and community action

Peru
2016-2024 Axis
Quality education for indigenous children

Rwanda
2019-2022 UNICEF
Supporting girls, education

Somaliland
2017-2021 SOS Children's Villages
Access to primary education

Tanzania
2016-2021 SOS Children's Villages
Access to primary education

South Africa
2019-2022 UNICEF
Improving teaching in primary school

Vietnam
2015-2021 UNICEF
Access to quality bilingual primary education

Nature

New **Democratic Republic of Congo**
2021 - 2025
Wildlife Conservation Society
Safeguarding biodiversity and catalysing sustainable economic growth in the Okapi Wildlife Reserve

New **Indonesia**
2021 - 2025
Wildlife Conservation Society
Protecting and restoring peatland forest in the Singkil Wildlife Reserve on Sumatra

New **Paraguay**
2021 - 2025
BirdLife International and Guyra Paraguay
Safeguarding and recovering degraded Atlantic Forest in the San Rafael Reserve

New **Uganda**
2021 - 2022
Green Digital Finance Alliance
Using digital finance mechanisms to incentivise small hold farmers to reduce negative impact on biodiversity

Ecuador
2020-2023 WWF
Connecting people and national parks in the Llanganates-Sangay ecological corridor

Madagascar
2020-2025 BirdLife International
Developing sustainable livelihoods in the Tsitongambarika forest

Global
2020 UNEP-WCMC + KR Foundation
Identifying biodiversity tipping points

Uganda
2019-2022 WWF
Sustaining biodiversity and enhancing park management in the Rwenzori Mountains National Park



In addition to the **strategic projects within education, science and nature**, the Hempel Foundation also supplies donations to projects or organisations applying for donations. The Hempel Foundation donated approximately **EUR 5.4 million in 2020 to 54 organisations** that applied for support.

Donations by application



The Foundation has a special interest in **donations** to organisations that work within one of **three areas**:

Activities at sea
in Denmark



Helping and promoting
social inclusion of
vulnerable children and
youth in Denmark and
Greenland



Initiatives to
promote talent in
entrepreneurship



In special cases, the Foundation also supports other projects and organisations that show great potential for making a positive change.

On the following pages, we outline examples of the projects we supported in 2020. A complete list of donations in 2020 can be found on page 44-45.

New donations in 2020





Renewed commitment to the **Mary Foundation**

The Hempel Foundation has supported the HRH Crown Princess Mary of Denmark's Foundation, the Mary Foundation, since it was founded back in 2007. Today, the Mary Foundation is a leading organisation in the mitigating of loneliness, domestic violence and social exclusion among children. As such, it inspires social authorities in Denmark and abroad.

In 2020, the Hempel Foundation renewed its commitment to continue as a catalytic operating partner that provides critical financing. The Foundation also guaranteed that additional funding to develop and scale initiatives will be undiminished for another three years. In this way, we are investing in the organisation's ideas and giving it opportunities to grow and ensure social inclusion of children.

BørneTelefonen

Every year, BørneTelefonen - a children's helpline run by the charity Børns Vilkår (Children's Welfare) - receives more than 100,000 calls and messages from children who suffer from violence, abuse or bullying. Children who do not have other adults to talk to. In 2020, BørneTelefonen saw an increase in calls from children affected by loneliness and anxiety due to the COVID-19 crisis. A donation from the Hempel Foundation will contribute to expanding BørneTelefonen's capacity in 2021, including recruiting more volunteers, enabling counselling from home and extending opening hours.

headspace Danmark

In 2020, the Hempel Foundation provided support to headspace Danmark, which offers free counselling to vulnerable young people between the ages of 12 and 25. The organisation was established in 2013 and now operates 20 centres across Denmark. The donation from the Hempel Foundation made it possible to open two new centres in the Danish municipalities of Lolland and Guldborgsund, where the need is large but budgets are constrained.

New socio-economic efforts in Greenland

Together with Oak Foundation Denmark and Bikubenfonden, the Hempel Foundation made a joint commitment to the newly established socio-economic company Siu Tsiu.

Siu Tsiu works to establish socio-economic companies in Greenland, and to share knowledge and experiences within this area, with the goal of enabling increased employment, especially for young people in socio-economic enterprises. Too many young people living in Greenland are outside the labour market and education system. Siu Tsiu aims to change this by working to help young people with special needs create a meaningful life with education, work and colleagues.

UN Live – The Museum for the United Nations

In 2020, the Hempel Foundation renewed its organisational leadership support to UN Live – the Museum for the United Nations. UN Live is an independent institution created to connect people everywhere to the work and values of the UN. Its mission is to help billions of people realise their own ability to directly contribute to the Sustainable Development Goals through action.

Two years ago, a donation from the Hempel Foundation made it possible for UN Live to appoint Molly Fannon, a former Director of International Relations at the Smithsonian Institution, as its first CEO. Through its donations, the Hempel Foundation is laying a cornerstone for building an ambitious idea into an organisation with extraordinary potential – an organisation that is already having impact through its work with partners and audiences around the world.



Emmanuel and Tinashe
are Kwera student
climbers in Malawi



Kwera

Since 2017, Kwera - a not-for-profit organisation - has funded higher education for young Malawians. Kwera's model is self-financing as students commit to repay a percentage of their future income each month for a period of 10 years once they have graduated and are employed.

Highly educated and skilled individuals are more employable, earn higher wages, are more environmentally conscious, have reduced family size, raise healthier children and have a higher level of civic participation. All of this is essential if we are to build sustainable, just and prosperous communities.

Currently, 30 students are enrolled in Kwera's education programme and the first students are now graduating in 2021 and on their way to get their first job.

COVID-19 donations

In 2020, the Hempel Foundation granted Zoologisk Have (Copenhagen Zoo) a donation of DKK 1.5 million to help mitigate the negative effect of the COVID-19 lockdown. Additionally, the Foundation donated DKK 500,000 to Den Blå Planet aquarium to help it through the COVID-19 crisis so it can continue to engage children and grown-ups alike in the importance of biological diversity underwater.

Furthermore, the Hempel Foundation made an extraordinary donation of DKK 1 million to Médecins Sans Frontières' (MSF) COVID-19 response. MSF is responding to the COVID-19 pandemic in over 70 countries worldwide, in work that covers everything from crisis management, organisation and patient treatment to providing test centres, medical equipment, isolation centres, mobile hospitals, health information, protective equipment and WASH facilities.

List of donations in 2020

Organisation	Purpose	Donation (EUR)
Education		
Oxfam IBIS	COVID-19 mitigation interventions in Bolivia and Guatemala	107,320.52
Red Barnet	COVID-19 mitigation interventions in Bangladesh and Uganda	107,320.52
SOS Børnebyerne	COVID-19 mitigation interventions in Ethiopia, Somaliland and Tanzania	160,980.78
UNICEF	COVID-19 mitigation interventions in Madagascar, Rwanda and South Africa	160,980.78
Oxfam IBIS Bolivia	Partnership with Oxfam IBIS in Bolivia	198,542.97
Oxfam IBIS Guatemala	Partnership with Oxfam IBIS in Guatemala	244,154.19
Red Barnet Bangladesh	Partnership with Save the Children in Bangladesh	536,602.62
UNICEF	Partnership with UNICEF in Zambia	2,012,259.81
VSO International	Unlocking talent in Sierra Leone	704,290.93
	Internal donation Education	22,403.16
Nature		
BirdLife	Partnership with BirdLife International in Paraguay	737,828.60
Green Digital Finance Alliance	Make financial decision-making algorithms think green	268,301.31
UNLEASH	UNLEASH	268,301.31
Wildlife Conservation Society	Partnership with Wildlife Conservation Society in Indonesia	1,596,392.78
Wildlife Conservation Society	Partnership with WCS in the Democratic Republic of Congo	1,502,487.32
	Internal donation Nature	41,452.55

Organisation	Purpose	Donation (EUR)
Science		
DTU Chemical and Biochemical engineering	The Hempel Foundation Coatings Science and Technology Centre (CoaST)	1,006,129.90
DTU Chemical and Biochemical engineering	MSc programme	134,150.65
DTU Chemical and Biochemical engineering	MSc programme	33,537.66
DTU Chemical and Biochemical engineering	Hempel-DTU Forskerskolepris 2021-2022	67,075.33
DTU Scienceshow	STEM initiatives	1,341.51
Applications		
Angstforeningen	Relief for children with anxiety	6,841.68
Blå Kors Danmark	Summer relief for vulnerable children	13,415.07
Børns Vilkår	BørneTelefonen	33,537.66
Børns Vilkår	BørneTelefonen	201,225.98
Dansk Folkehjælp	Confirmation aid for vulnerable children	33,537.66
Dansk Folkehjælp	School aid for vulnerable children	33,537.66
Dansk Folkehjælp	Christmas aid for vulnerable children	67,075.33
Fonden Morgencafé for Hjemløse	Aid for the homeless	13,415.07
Fonden Settlementet på Vesterbro	Community for socially vulnerable people	22,805.61
FORENINGEN DANSKE DØVBLINDE (FDDB)	Support for deaf and blind	13,415.07
Foreningen Det Sociale Netværk	headspace Lolland-Falster	160,980.78

Organisation	Purpose	Donation (EUR)	Organisation	Purpose	Donation (EUR)	Organisation	Purpose	Donation (EUR)
Frelsens Hær	Aid for the most vulnerable in Denmark	26,830.13	Udvalget for husmoderferie	Summer relief for vulnerable children	40,245.20	Stiftelsen Georg Stages Minde	Expedition 2021	67,075.33
Fundació Privada Servei Solidari per la Inclusió Social	“Rotllana” Socio-Educational Centres	7,512.44	Den selvejende Institution Waterz	WATERZ GKA Kite World Cup Hvide Sande	20,122.60	Aalborg Case Competition	Case competition 2020	2,750.09
Handicappede Børns Ferier	Summer relief for children with handicap	4,024.52	Dansk Sørednings-selskab	Safer sea rescue	13,415.07	International Business Case Competition	Case competition 2020	5,366.03
Landsforeningen mod spise-forstyrrelser og selvskade	Counselling for young people with eating disorders and self-harm	40,245.20	Dansk Veteran-skibsklub S/S Bjørn, maling	Paint donation	2,548.86	Polit Case Competion	Case competition 2020	4,024.52
Livslinien	“Heaven can wait”	13,415.07	Den Sejlende Højskole	Sailing High School 2020	6,707.53	Political Science Case Challenge	Political Science Case Challenge 2020	4,024.52
Løkkefonden	Drengeskolen 2021	33,537.66	DFD Københavns Søkrede, maling	Paint donation	2,683.01	Project Access International	An entrepreneurial approach to tackle access inequalities	13,415.07
Løkkefonden	Drengeskolen 2020	33,537.66	Ferskvandsmuseumsforeningen, Maling GI Turisten	Paint donation	1,073.21	Venture Cup	Venture Cup Experts - startup mentor programme	201,225.98
Make-A-Wish Danmark	Hope initiative for children with life-threatening illness	6,707.53	Fiskeri- og Søfartsmuseet, maling	Paint donation	4,024.52	Boligfonden DTU	COVID-19 support	134,150.65
Mary Fonden	Prolonging partnership	102,133.32	Fonden Jakob, maling	Paint donation	2,012.26	Climate Planet Foundation	Changing climate attitudes and behaviour	136,565.37
Mary Fonden	Prolonging partnership	603,677.94	Fonden Peder Skram, maling	Paint donation	1,341.51	Danmarks-indsamling	National fundraiser for COVID-19 victims	13,415.07
Mødrehjælpen	Christmas aid for vulnerable children	87,197.92	Foreningen Caroline S	Paint donation	939.05	Den Blå Planet, Danmarks Akvarium	Extraordinary COVID-19 donation	67,075.33
Partnerskabet for udsatte børn og unge, faciliteret af Børns Vilkår, Red Barnet og Dansk Røde Kors	Aid for vulnerable children	268,301.31	Foreningen Everten Rebekka af Fanø, maling	Paint donation	2,414.71	Kwera	Sustainable financing of higher education in Malawi	26,830.13
Siu Tsiu, social-økonomisk indsats i Grønland	Social economy in Greenland	201,225.98	Foreningen Færgen Møn's Venner, maling	Paint donation	1,864.69	Læger uden Grænser	Extraordinary COVID-19 donation	134,150.65
SMILfonden	Summer relief for chronically ill children	6,707.53	Kronprins Frederiks Fond af 17. september 1865	Paint donation	3,353.77	Ungdommens Naturvidenskabelige Forening	STEM initiatives	10,061.30
SPK Lange-linieskolen, Lands-lejr for døde	Summer camp for deaf children	3,353.77	Marstal Søfartsmuseum, maling M/S SAMKA	Paint donation	1,341.51	UN Live	Organisational leadership support	402,451.96
Sundbyernes Filantropiske Forening Barnets Glæde	Christmas aid for vulnerable children	10,061.30	RUMU Roskilde Museum, maling	Paint donation	2,146.41	ZOOLOGISK HAVE I KØBENHAVN	Extraordinary COVID-19 donation	201,225.98
						Hempels Kulturfond	Revitalising Hempel Glass Museum	2,481,787.10
							Financial adjustments	(619,147.57)

Hempel Glass Museum

In 2020, the Hempel Foundation **donated EUR 2.5 million to the Hempel Glass Museum** in Odsherred, Denmark. The donation is contingent on a new strategy being launched to revitalise the museum and will be disbursed over the next five years.





The Hempel Glass Museum houses over 1,000 items – a third of which date back to the pre-modern era, such as 1,500-year-old glass bottles from Egypt. The new strategy focuses on how to incorporate more modern glass art. Therefore, critical tenets of the strategy include prioritising modern Danish glass art and supporting contemporary artists by casting more light on the annual Hempel Glass Prize, presenting the story behind glass art and the museum to visitors in a captivating manner, and facilitating more cultural events. Achieving these goals will help fulfil J.C. Hempel's vision of creating a space for art, music, literature, film and free-flowing discussions.

New design for exhibition spaces

The donation is being used to commission a design atelier to transform the exhibition spaces and overall museum design. Hempel's Cultural Foundation met with leading design ateliers from Denmark, Germany and the UK, and eventually chose Atelier Brückner to carry out the work. The Stuttgart-based atelier is internationally renowned for its narrative architecture and creative design spaces, and it has a clear vision for how to showcase glass art in new, immersive and interdisciplinary ways.

Renovations will begin in autumn of 2021 and a modernised, creatively transformed Hempel Glass Museum is expected to open in 2022.





JC HEMPEL

GRUNDL 1915

HEMPEL
FONDEN

Amaliegade 8, Copenhagen

Foundation governance

The Hempel Foundation's trust deed defines the overall principles for the Foundation's activities. In addition, the Hempel Foundation is governed by a set of Rules of Procedure for Board work and an Annual Wheel for planning work during the year.

Based on the Trust Deed, Rules of Procedure and the Annual Wheel, the Board of Trustees considers the Hempel Foundation to be in full compliance with the legislation and to basically comply with all recommendations from the committee for good governance in commercial foundations.

Regarding the recommendations from the committee for good governance in foundations, the Board of Trustees has made a full report, which is available at: hempelfonden.dk/da/hvem-vi-er/governance/

Purpose of the Foundation and ownership structure of Hempel A/S

According to the Trust Deed, the Hempel Foundation's primary purpose is to provide and maintain a solid economic base for Hempel

Group companies, and to ensure that the companies are able to operate on a sound business and financial basis. This is of greatest importance, since the Foundation is 100 per cent owner of the Hempel Group companies.

The second purpose of the Foundation is, in accordance with the Trust Deed and the policies and priorities adopted by the Foundation, to support charitable purposes. The Foundation has been able to increase this activity in recent years.

Board of Trustees

The Hempel Foundation is governed by a Board of Trustees comprising 5-7 members elected by the Foundation and 3-4 members elected from among employees of Hempel A/S.

The Foundation's Trust Deed states that the Board is a self-electing entity. Elections take place annually. Board members appointed by the Foundation are elected for a three-year term, and may be re-elected. The three-year term is stipulated in the Trust Deed, with a view to

maintaining satisfactory continuity in the Board's activities. The Chair and Deputy Chair are elected from among the Board members, each for a three-year term.

Board members must be no more than 65 years of age when elected for the first time. The age limit for Board members elected by the Foundation is 70 years, subject to an extension to 75 years in special circumstances. The members appointed by employees are elected under Danish legislative provisions for employee representation on boards of directors and, accordingly, are elected for a term of four years.

Under the Trust Deed, the following requirements apply to Board members appointed by the Foundation:

- A majority cannot at the same time be Board members of Hempel A/S.
- A majority should preferably be current or former Hempel employees or somehow involved with the Hempel Group over many years.

- At least two of the members must have international business experience.

The Board of Trustees has additionally set a target for gender representation for members elected by the Foundation. The declared target is that a minimum of two of the Board members appointed by the Foundation must be female. This target was achieved in April 2018 and maintained in 2020. The Board of Trustees has also decided that competencies within charitable donations, commercial business and financial investments should be present among members of the Board.

The Chair and the Deputy Chair of the Board monitor and assess the composition of the Board and its performance on an ongoing basis, in consultation with individual Board members and the Board as a whole. Once a year, the Board performs a formalised internal Board evaluation in accordance with the detailed recommendations from the committee for good governance in commercial foundations. This

evaluation aims to ensure that the required commercial, investment and personal skills, as well as competencies regarding charitable donations, are available among the Board members appointed by the Foundation.

The Board continuously oversees and ensures that the Foundation's asset management corresponds to the Foundation's purpose and needs in the short and long term.

Detailed information on Board of Trustee members can be found at: hempelfoundation.com/hempel-foundation/board-of-trustees

All new Board members appointed by the Foundation are selected through a structured process based on the above-mentioned evaluation, as well as any specific needs for additional competencies on the Board. A professional executive search firm is used for external searches. To meet the specific requirement stipulated in the Trust Deed that certain Board members must preferably have been involved with the Hempel Group, the Chair and Deputy Chair use a regularly updated list of potential candidates, which is presented to the Board members appointed by the Foundation for evaluation and selection.

Board committees

The Board has established two committees: an Investment Committee and a Donations Committee. For preparation of specific purposes, the Board of Trustees can decide to establish ad hoc committees, which are dissolved when the specific tasks are completed.

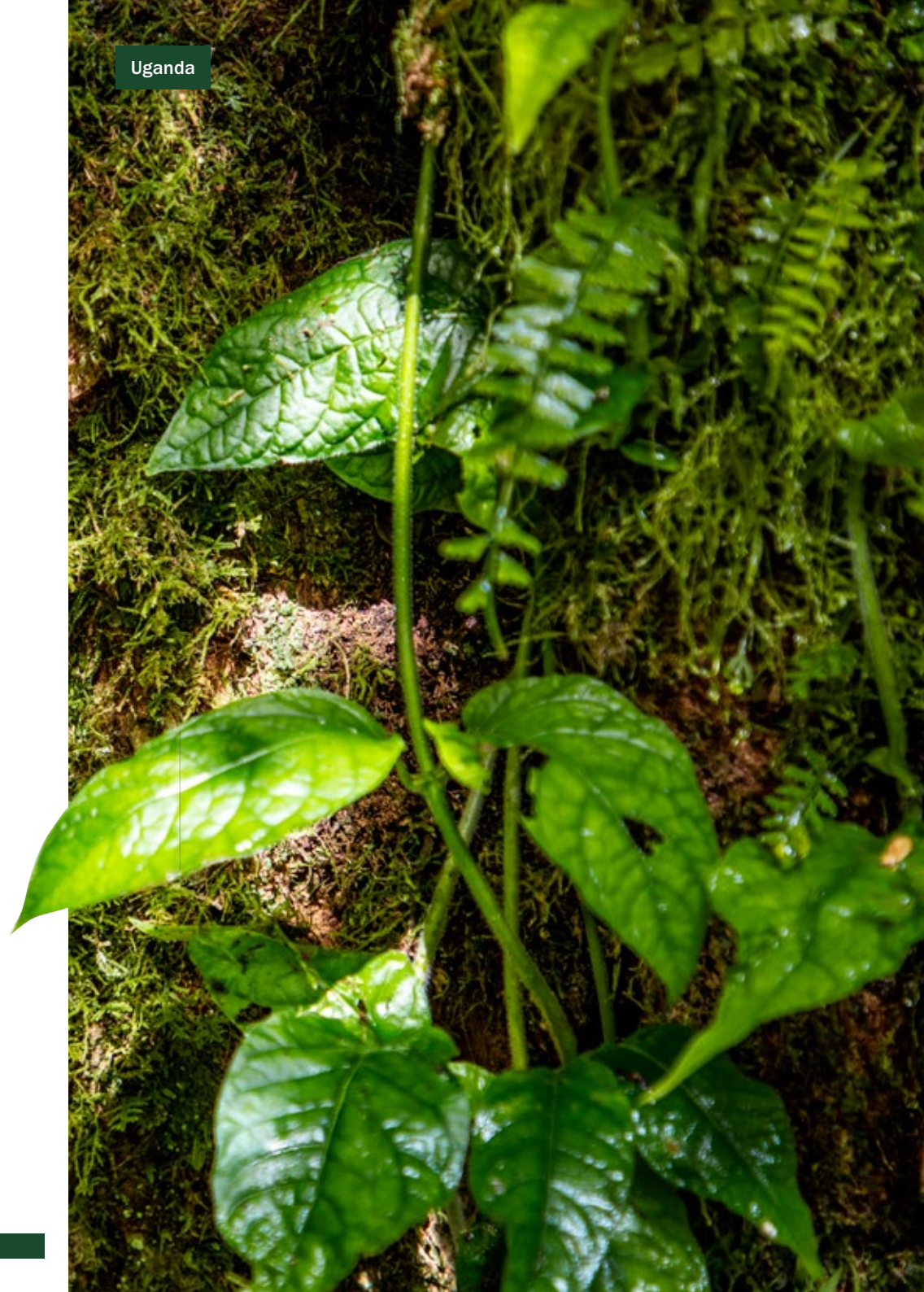
Investment Committee

The Foundation has elected and established an Investment Committee made up of Board members for the preparation of the Board's higher level decisions regarding the Foundation's financial investments, among other things, as well as evaluating professional external portfolio managers used by the Foundation.

The Investment Committee usually holds 5-6 meetings a year with each of the Foundation's three different external portfolio managers, as well as meetings on strategic investment issues.

Donations Committee

The Foundation has elected and established a Donations Committee, which examines and evaluates the applications the Foundation receives every year, many of which are for large and complex projects. The final decisions on donations are, in accordance with an agreement



Detailed information on Board of Trustee members can be found at hempelfoundation.com/Hempel-foundation/Board-of-Trustees

made within the Board, made by all Board members and not only by the Board members appointed by the Foundation (ref. Commercial Foundations Act § 64). The final decision on the total amount of yearly contribution to donations is also taken by all Board members. The Donations Committee generally holds 4-6 meetings each year announced annually on the Foundation's website.

Spokespersons

The Chair of the Board is entitled to speak on behalf of the Foundation and the Board. The Executive Director of the Foundation is entitled to inform the media concerning facts related to his fields of responsibility; other statements to the media must only be given after approval by the Chair of the Board.

Meetings, committees and remuneration

The Board of Trustees generally holds 5-6 all-day meetings a year. Two of these meetings take place as soon as possible after the completion of the Foundation's half-yearly and annual financial statements. The Board of Trustees has a continuing involvement in the Hempel Group's operations on an overall strategic level, with a view to maintaining the required degree of consultation and consensus between the two entities.

Members of the Board of Trustees are paid a fixed annual remuneration that must not be above what is deemed to be usual in relation to the workload, nature of the job and competencies involved. As is customary, a higher level of remuneration is received by the Chair (+200%) and Deputy Chair (+50%). Except for the Chair, members of the Investment Committee and the Donations Committee receive a fixed annual remuneration for committee work. Trustees serving on the boards of the Hempel Employee Foundations or Hempel Cultural Foundation do not receive remuneration for these services.

Remuneration is decided by the Board of Trustees on an annual basis, using a structured process that takes into account the amount of working hours spent by the Trustees; the overall responsibilities of the Trustees and activities carried out by the Trustees; the purpose of the Foundation as well as the total activities of the Foundation; the leading role of the Trustees and the major responsibility of the Trustees in relation to the overall leadership of the Hempel Group; the Trustees participation in all major and strategic decisions in the Hempel Group; and the income derived by the Trustees from other positions in the Group.

To further support the correct handling of decisions on remuneration issues, the Trustees additionally, and from a critical standpoint, make sure that the suggested remuneration is reasonable in relation to the overall interest of the Foundation, as well as comparable to the level of remuneration in other commercial foundations of some similarity. This work includes peer-group benchmarking, which is carried out by an independent external consultancy.

It is the firm commitment and aim of the Trustees at all times that the Foundation will not accept costs or remunerations to Management, Board members, Trustees or other kinds of administrative costs that do not support and strengthen the purpose of the Foundation or its charitable donations.

The total remuneration paid to the Board in 2020, including remuneration for work on Board committees, was EUR 450,390. The base remuneration paid to each Board member in 2020 was EUR 33,538. The Hempel Foundation is fully transparent about remuneration and the amount each Board member receives. This information, as well as the salary for the Executive Director, can be found on the Hempel Foundation

website in Danish in the Governance section under "Redegørelse for god fondsledelse" (account of foundation governance).

Conflicts of interest

The Foundation is committed to ensuring that all persons involved in its investment and donation processes possess the requisite skills. The Foundation is committed to avoiding any potential conflict of interest in order to ensure the integrity of decisions made regarding investment proposals and donation applications.

All decisions are made in accordance with common conflict of interest principles. In practice this means that no Board member or Foundation employee can take part in any decisions in which they may be deemed to have a material personal interest.

Social responsibility

An account of the Hempel Foundation's social responsibility work is available on the Foundation's website: <https://www.hempel-fonden.dk/en/who-we-are/governance> in accordance with the Danish Financial Statements Act § 99a.

The Hempel Foundation's most important and significant investment is the ownership of Hempel A/S and the Hempel Group worldwide. Net income from this was **EUR 45 million in 2020, compared to EUR 60 million in 2019.** Please refer to the separate review of the activities of the Hempel Group on page 56.

Business- related activities



Investment strategy

The Hempel Foundation's Board of Trustees has set down overall guidelines and policies for investing in different types of assets. The Investment Committee prepares decisions on the Foundation's investment activities; however, the Board as a whole makes the final decision regarding investments and investment activities.

Financial investments

- A conservative financial investment strategy with a limited risk appetite is adopted, focusing on absolute return and avoiding losses in the medium term. The majority of investments are in listed securities that can be redeemed within a few days.
- Financial investments in bonds, shares, etc. are managed by three external professional portfolio managers. Portfolio management is split in order to increase the risk-adjusted net return of the total portfolio.
- In order to better manage risk, the Hempel Foundation has established ethical guidelines for the portfolio managers' handling of financial investments. They are expected to follow the United Nations-supported Principles for Responsible Investment (UN PRI) or make

investments according to corresponding principles, taking into account environmental, social and governance (ESG) factors.

Property investments

The Hempel Foundation owns the property located at Amaliegade 8 in central Copenhagen, built in 1785-88. Amaliegade 8 was acquired by J.C. Hempel in 1933 and was the headquarters for the Hempel companies before relocating to Kgs. Lyngby, north of Copenhagen, in 1972. The Hempel Foundation remained in Amaliegade 8 and today it has offices and meeting rooms in the building.

The Hempel Foundation also owns the properties housing the Hempel Group's headquarters and main R&D departments in Kgs. Lyngby, Denmark.

Hempel Invest A/S, a 100 per cent owned investment subsidiary of the Hempel Foundation, has also made the following significant property-related investments:

- Additional HQ office facilities under construction for the Hempel Group.
- Full ownership of two forests located in Denmark

- Shareholdings in a listed real estate property company

Direct investments, alternatives and impact investments

Direct investments are investments in shareholdings, private equity and alternative investments. The Hempel Foundation and its investment company Hempel Invest A/S have made a number of direct investments, including:

- Shareholdings in small and medium-sized companies
- Private equity investments and fund-of-funds structures
- Direct venture investments in innovative enterprises
- Impact investments within education and sustaining biodiversity

In 2020, Hempel Invest A/S had a specific focus on establishing a position within impact investments with the intention of generating positive, measurable social and/or environmental impact alongside a financial return. We see great potential in impact investments, especially when they are used to invest in new solutions to social and environmental issues.

In 2020, we screened for impact-driven investment managers able to display measurable impact within our strategic focus areas of education and biodiversity. Our ambition is to achieve competitive financial returns. However, our flexibility means allocations can be made to investment managers that operate in high-risk environments and potentially with new business models not yet fully matured.

We made two new impact investment commitments in 2020: one in each of the two thematic areas of education and sustaining biodiversity.

The Hempel Foundation was among the first investors in Den Sociale Kapitalfond Invest (SKFI) in 2017, an impact investment focusing on socio-economic enterprises in Denmark.

Net financial income

The net financial income from the Hempel Foundation's investment portfolio resulted in a return of EUR 5 million in 2020, compared to a positive return of EUR 15 million in 2019. The fully owned subsidiary Hempel Invest A/S had a neutral return of EUR 0 million on investments

in 2020, compared to a positive return of EUR 12 million in 2019. Both results were affected by the COVID-19 pandemic and considered to be satisfactory.

Financial report of the Hempel Foundation

The outcome of the Hempel Foundation's activities in 2020 is considered satisfactory. The net profit after tax for 2020 was EUR 49 million, compared to EUR 69 million in 2019.

The Hempel Foundation's total revenue for 2020 increased to EUR 1,981 million compared to EUR 1,680 million in 2019.

The equity of the Hempel Foundation at the end of 2020 was EUR 778 million.

Subsequent events

No significant events have occurred subsequent to the balance sheet date that are considered to have a significant influence on the evaluation of the Annual Report for the Hempel Foundation.

Refer to Letter to stakeholders of the Hempel Group and note 5.6.

Eight colleagues from Hempel A/S
volunteering at the Hempel Foundation's
education project in Guatemala in
March 2020 (prior to lockdown)

Guatemala



Introduction

Hempel A/S had a satisfactory performance in 2020 under challenging conditions, and is now stronger than ever.

In 2020, the company launched an ambitious new five-year strategy, with focus on sustainability, digitalisation and innovation, and the goal of doubling revenue by 2025. At the core of the strategy are three principles: to build segment leadership positions in selected geographies and segments, to become the sustainability leader within core business areas, and to be the trusted partner of customers.

The Hempel Foundation's main purpose is to provide and maintain a solid economic base for the Hempel Group. Our long-term focus and stable ownership are reasons why Hempel A/S can maintain and expand its leading position in the global coatings market.

The Hempel Foundation fully backs the new strategy.

The strategy is outlined in the following Letter to stakeholders from the Chair and the CEO of Hempel A/S – captured from the Hempel A/S Annual Report and shared in its original form.

Hempel A/S Letter to stakeholders 2020

Organic growth above market average, successful execution of our Journey to Excellence strategy plus the launch of our new Double Impact strategy leave Hempel well prepared for the future.

2020 became an extraordinary year. The global COVID-19 pandemic affected nearly every industry, and the coatings industry was no exception. The business landscape was uneven and unpredictable, and customers, colleagues and partners in every country had to adjust to a new way of working. We are proud of the response of our company and colleagues – of our agility and decisiveness in the face of these challenges. We delivered positive organic growth above market average during the year, maintaining the momentum built in the second half of 2019. We also continued our transformation into becoming a much stronger global company from a financial and organisational standpoint, ready to accelerate growth towards 2025. No one can predict the future, but we are well positioned to be a leader in our core business areas.

Navigating the global pandemic

The global COVID-19 pandemic introduced rapid change and a high level of uncertainty. From the beginning, our priorities were clear and based firmly on our values. Our employees' safety is always our first concern. Secondly, we must ensure our customers, partners and others remain safe when dealing with us and that we maintain a timely supply of high-quality products to customers. Finally, we must ensure financial robustness to protect our future investment capacity.

At the start of the pandemic, we quickly established a COVID-19 Taskforce, which met daily to assess the situation. The taskforce took the global lead, issuing company-wide guidelines that our regional teams implemented, adjusting as necessary to suit the local situation. To ensure we could keep customers supplied with coatings, our supply chain team made use of our

global network of factories, producing coatings in different locations and altering suppliers and delivery routes as necessary. At the same time, our customers benefitted from our existing digital solutions. Use of My Hempel, our online customer portal, accelerated across the globe, as did use of our Click and Collect online ordering system in the UK and Ireland. Both these solutions show the value of developing future-proof digital services for customers.

Many colleagues worked from home throughout the majority of the year. Despite the upheaval, we remained focused, stayed connected with each other and our customers, and continued to drive our business. It was a tremendous response and demonstrates that our people truly are our most important asset.

Overall, our decisiveness and preparedness in the face of the COVID-19 pandemic shows that the transformation and work we have done over the last five years to create a much stronger, more modern and agile company, with global leadership and local execution, is paying off. It also demonstrates the value of our unique ownership structure. Ownership by the Hempel Foundation enables us to prioritise our business, innovation, employees and customers over short-term gain. It allowed us to go the extra mile to serve customers, while continuing to make heavy investments in our future. It also meant we could continue to operate in uncertain times, keeping our people safe not only in terms of health but also in terms of job security.

Performance in 2020

For our customers, it is essential that their businesses keep running - and our products play a key role in this. Throughout the year, we worked

hard to ensure our customers had the coatings and services they required, and they rewarded us with 3.2 per cent organic growth in 2020. Growth was negatively impacted in the early part of the year, but came back very strongly. In terms of earnings, Group EBITDA ended slightly below last year, which was in line with our expectations, due to material supply chain investments. EBITDA ended at EUR 151 million, leading to an EBITDA margin of 9.8 per cent. With our stable results, combined with our supply chain investments and cash protection plan during COVID-19, we are financially sound. Overall, this was a very satisfying result, given the circumstances.

Every industry segment was affected by the COVID-19 pandemic in some way - some positively, some negatively. Our Decorative segment outperformed our expectations, for example, driven by high demand in the Do-It-Yourself market, while many protective projects were postponed, cancelled or delayed, impacting our Protective segment negatively in nearly every region.

2020 was an important year in the marine cycle, with many vessels coming into dry dock for scheduled maintenance. We increased our already high market share in the dry dock business and saw an uplift in our newbuilding market share, mainly due to a number of new orders from major European vessel owners. We also celebrated a significant milestone when our Hempaguard X7 hull coating passed 2,000 applications. Hempaguard X7 is a world-class product that improves hull hydrodynamics to reduce fuel consumption and associated CO₂ emissions, and we have continuously documented its effect. Since it was launched in 2013, it has reduced the combined fuel consumption of the vessels it has

been applied to by 7.6 million tonnes, lowering CO₂ emissions by 23.5 million tonnes.

Hempaguard X7 and our other high performance hull coatings were developed to address a very specific customer need and have been proven to perform over a number of years. Combined with our fuel efficiency monitoring service, which documents propulsion efficiency and gives vessel operators data they can use to adjust performance, this is an extremely attractive second-to-none package - one that uses partnership and innovation to reduce the customer's operating costs and improve their environmental performance. As a result, our Marine segment delivered above expectations.

In 2020, we continued to work towards our existing sustainability goals and key performance indicators, making satisfactory progress despite disruptions caused by the COVID-19 pandemic.

Leading the industry

The final year of our *Journey to Excellence* strategy progressed differently compared to our expectations, but it was satisfying nonetheless. Despite the challenges presented in 2020, we satisfactorily executed on our strategic initiatives and are now ready to deliver on our goal of doubling Hempel by 2025, through organic growth and acquisitions.

During 2020, we completed the development of *Double Impact*, our new five-year strategy that will drive us towards our goals. At the core of *Double Impact* are three principles: to build segment leadership positions in selected geographies within Decorative, Marine, Infrastructure and Energy; to become the sustainability leader within our core business

areas by developing coating solutions that help our customers deliver on their sustainability agendas and by leading by example within our own operations and value chain; and to be the trusted partner of our customers.

Based on these principles, we will be able to shape a brighter future for our colleagues, our company, our customers and the world in general through innovation, digitalisation and more sustainable coating solutions that help solve our customers' biggest challenges. It is an ambitious plan, but with the foundations laid over the past five years, we are confident we will be able to deliver.

Partnerships that drive sustainability

Increasingly, our customers across the globe see sustainability as essential to their business success. At the core of our new strategy are close relationships with key customers – partnerships built on trust that drive innovation forward, not just in terms of coating technology and customer value, but also in terms of sustainability. The joint partnership we entered into with Vestas in 2020 is testament to this.

This partnership will enable our two global-leading companies to elevate each other's strengths and unlock future value together, while exploring new solutions to lower the carbon footprint of wind turbine production. In extension to this, we were proud to receive the Vestas Sustainability Award in 2020, based on elevated sustainability ambitions and our ability to showcase data-driven sustainability improvements within both energy and waste reduction.

As part of our work to drive innovation and create more sustainable solutions, we continued

development of digital coating solutions, what we call 'outside the can' innovations. At the start of 2020, we launched Hempasense Track, a new digital quality management solution developed in collaboration with applicators in Europe, which monitors the precise conditions under which a coating is applied and produces real-time data that the applicator can use to improve quality and reduce emissions. Hempasense Track is the first in a line of new Hempel products that put digital data into the hands of applicators and asset owners. We expect the digital trend to grow significantly across the industry in the coming years and we are well placed to lead this development.

Investing in the future

We are a company with a long-term vision and, at the start of the COVID-19 pandemic, we acted quickly to protect our financial base by stopping all non-business-critical investments. This tight control of expenses ensured we still have the finances required to invest materially in the future and we maintained business-critical investments in innovation and our supply chain. During 2020, we held groundbreaking ceremonies for two large new factories in China, showing our commitment to the region, and finalised our new factory in Saudi Arabia – a combined investment of EUR 49 million during the year and EUR 169 million in total. We will continue to invest in and expand our global footprint to ensure we have a robust and extensive production network, capable of meeting our customers' increasing needs for new world-class coatings.

We also continued work on Hempel Campus, a site just outside Copenhagen covering over 10,000 m². Hempel Campus is an investment in Denmark and in innovation. During 2020, we

finalised and moved into our brand-new state-of-the-art R&D centre where leading scientists and researchers from industry and academia can gather, discuss and share ideas. Hempel Campus is a key element in our drive to be a global leader within innovation and more sustainable solutions in the coatings industry – and it will help us attract and retain the best people and ensure we can be an even better partner to our customers. We expect to move into our new expanded headquarters in the middle of 2021.

Nurturing talent

No future investment is complete without people. Attracting, nurturing and developing talent remains key to our culture, outlook and ambitions. Over the last few years, we have worked hard to create a culture where everyone has the opportunity to develop and succeed, where we dare each other to go further and give each other the support we need to excel. Our goal is always to encourage our people to stretch themselves.

We are a global company, creating global opportunities. Over the past few years, we have created a full development path for high potential talents, running from graduate through to executive level. Thanks to this investment in our talent pipeline, a number of senior leadership and country manager positions were filled by internal candidates in 2020. For example, Pernille Fritz Vilhelmsen, who has been with Hempel for the past three years, became our Chief People & Culture Officer in 2020 and is now a member of our Executive Management Board. This kind of internal promotion enables us to keep our knowledge in-house and brings greater continuity to our company, which will stand us in good stead in the future.

Looking ahead

The years ahead hold tremendous promise and potential. As we push forward with our new strategy, we will launch a number of initiatives that will see us make a meaningful difference for our customers and provide strong development opportunities for our employees. We will make sustainability the new way we do business, by taking active measures to decouple our growth from our environmental footprint, promoting diversity and inclusion to boost innovation, and unlocking sustainability value for our customers through our products and services.

Looking at 2021, the COVID-19 pandemic still lowers our visibility into the future. We expect the pandemic to continue to adversely affect the coatings business in many markets throughout 2021. However, we have proven we can work successfully in difficult conditions and we anticipate continued organic growth during the year, and a stable EBITDA margin leading to an EBITDA of EUR 150-160 million, while we continue to invest materially in innovation, sustainability and our supply chain.

A word of thanks

As we all know, 2020 was an unusual and challenging year. Despite the obstacles, we delivered positive organic growth and laid the groundwork for our ambitious and exciting new *Double Impact* strategy. It is a tremendous achievement and we would like to thank every colleague for their dedication, hard work and optimism during a challenging year. On behalf of the Executive Management Board and the Board of Directors, we would also like to extend our thanks to you, our customers, shareholder and other stakeholders, for your continuing trust and support.



Lars Petersson
Group President &
Chief Executive Officer of Hempel A/S

Richard Sand
Chair of the
Board of Directors of Hempel A/S

Independent auditor's report



To the Board of Trustees
of the Hempel Foundation

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Hempel Foundation at 31 December 2020 and of the results of the Foundation's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of the Hempel Foundation for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation'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. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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.

Hellerup, 29 April 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33771231

Anders Stig Lauritsen
State Authorised Public Accountant
mne32800

Nikolaj Erik Johnsen
State Authorised Public Accountant
mne35806

Financial statements

A woman with grey hair, wearing a dark blue cardigan over a light-colored patterned top and a light-colored skirt, is crouching in a classroom. She is smiling and looking at a document she is holding, which she is showing to a young boy in a white shirt and a straw hat. Other children are visible in the background, some sitting at desks. The classroom has a checkered floor and a blue wall with some papers pinned to it.

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Key figures

In EUR thousands (unless otherwise stated)

	2020	2019	2018	2017	2016
Income statements					
Revenue	1,981	1,680	1,688	1,853	1,853
EBITDA	111	52	-34	236	409
Depreciation and impairment	896	5,770	935	972	968
Operating profit	-785	-5,718	-969	-736	-559
Income from investments in subsidiaries	44,812	59,938	49,987	41,706	32,202
Net financials	5,246	14,997	-7,345	9,362	14,604
Profit before tax	49,273	69,217	41,673	50,332	46,247
Net profit for the year	49,273	69,217	41,669	50,325	46,246
Financial positions					
Balance sheet total	854,526	854,792	794,377	750,977	738,156
Equity	778,436	777,994	727,293	715,488	714,990
Investment in tangible assets	6,341	17,978	2,399	15	–
Cash flows					
Operating activities	-907	-171	459	3,968	-3,646
Investing activities	22,744	-59,366	41,470	-13,253	36,457
Financing activities	-15,319	-9,052	15,945	4,733	-16,681
Change in cash and cash equivalents	6,518	-68,589	57,874	-4,552	16,130

	2020	2019	2018	2017	2016
Employees					
Average number of employees	8	8	7	4	3
Donations					
Donations for the year	15,408	21,061	20,384	19,696	16,568
Ratios (%)					
Solvency ratio	91.1	91.0	91.6	95.3	96.9
Return on equity	6.3	9.2	5.8	7.0	6.5

For definitions see note 5.8.

Income statement

In EUR thousands

Note		2020	2019
2.1	Revenue	1,981	1,680
	Other external expenses	-685	-623
	Gross profit	1,296	1,057
2.2	Employee costs	-1,185	-1,005
3.1	Depreciation and impairment	-896	-5,770
	Operating profit	-785	-5,718
2.3	Income from investments in subsidiaries	44,812	59,938
	Profit before financial income and expenses	44,027	54,220
4.3	Net financials	5,246	14,997
	Profit before tax	49,273	69,217
2.4	Income tax	–	–
	Net profit for the year	49,273	69,217

	2020	2019
Distribution of profit		
<i>Proposed distribution of profit:</i>		
Donations for the year	15,408	21,061
Reserve for net revaluation under the equity method	44,812	59,935
Retained earnings	-10,947	-11,779
	49,273	69,217

Balance sheet

as at 31 December

In EUR thousands

Note		2020	2019
	Land and buildings	36,392	16,564
	Other fixed assets	7,229	1,168
	Assets under construction	0	20,291
3.1	Property, plant and equipment	43,621	38,023
5.4	Investments in subsidiaries	588,119	590,788
3.2	Other securities and investments	180,654	127,048
2.4	Deferred tax asset	–	–
	Other non-current assets	768,773	717,836
	Total non-current assets	812,394	755,859
	Receivables from Group enterprises	30,171	93,995
	Other receivables	2,242	1,614
3.4	Receivables	32,413	95,609
	Cash at bank and in hand	9,719	3,324
	Current assets	42,132	98,933
	Total assets	854,526	854,792

Note		2020	2019
4.1	Base capital	4,691	4,691
	Reserve for net revaluation under the equity method	583,678	586,365
	Retained earnings	159,829	156,824
	Reservation for grants	30,238	30,114
	Total equity	778,436	777,994
	Pension obligations and similar obligations	239	238
	Provisions	239	238
4.6	Loans	18,020	18,613
	Long-term debt	18,020	18,613
	Short-term part of loans	606	740
	Payables to Group enterprises	25	890
3.5	Other liabilities	57,200	56,317
	Total current liabilities	57,831	57,947
	Total liabilities	76,090	76,798
	Total equity and liabilities	854,526	854,792

Statement of changes in equity as at 31 December

In EUR thousands

Note		Base capital	Reserve for net revaluation	Retained earnings	Reservation for grants	Total
	Equity					
	Equity at 1 January 2019	4,691	523,778	168,693	30,131	727,293
	Net profit for the year	-	59,935	-11,779	21,061	69,217
	Exchange adjustments at year-end rate	-	5,587	-92	-17	5,478
	Remeasurements of defined benefit plans	-	-2,519	2	-	-2,517
	Tax on equity	-	-416	-	-	-416
	Grants for the year	-	-	-	-21,061	-21,061
4.1	Equity at 31 December 2019	4,691	586,365	156,824	30,114	777,994
	Net profit for the year	-	44,812	-10,947	15,408	49,273
	Dividend received	-	-13,306	13,306	-	-
	Exchange adjustments at year-end rate	-	-32,916	646	124	-32,146
	Remeasurements of defined benefit plans	-	-2,265	-	-	-2,265
	Tax on equity	-	988	-	-	988
	Grants for the year	-	-	-	-15,408	-15,408
4.1	Equity at 31 December 2020	4,691	583,678	159,829	30,238	778,436

Cash flow statement

In EUR thousands

Note	2020	2019	
Cash flows from operating activities			
	Operating profit	-785	-5,718
5.2	Adjustment for non-cash operating items	898	5,771
4.5	Changes in working capital	-1,020	-224
2.4	Income tax paid/received	–	–
	Total cash flows from operating activities	-907	-171
Cash flows from investing activities			
5.4	Dividends received from subsidiaries	13,306	–
4.3	Other dividends received	3,082	2,104
3.1	Purchase of property, plant and equipment	-6,341	-17,978
3.2	Purchase of fixed asset investments	-130,432	-54,415
3.2	Sale of fixed asset investments	78,902	52,462
	Change in receivables designated as investing activities	64,227	-39,435
	Total cash flows from investing activities	22,744	-57,262

Note	2020	2019	
Cash flows from financing activities			
	Change in loans	-727	-951
	Interest income and expenses, net	645	214
	Paid grants	-15,237	-10,419
	Total cash flows from financing activities	-15,319	-11,156
	Change in cash and cash equivalents	6,518	-68,589
4.4	Cash and equivalents, net, beginning of year	3,324	71,945
	Exchange adjustment	-123	-32
4.4	Cash and equivalents, net, end of year	9,719	3,324

Section 1

Basis of preparation

1.1 General accounting policies

General

This section gives a summary of the significant accounting policies. Further accounting policies are presented in the specific notes.

The Annual Report of the Hempel Foundation for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act (Årsregnskabsloven) applying to large enterprises of reporting class C. The Annual Report for 2020 is presented in EUR thousands.

The accounting policies applied remain unchanged from previous years.

Consolidated financial statements

With reference to section 111 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised costs are recognised.

Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Hempel Foundation, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Hempel Foundation, and the value of the liability can be measured reliably. Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report that confirm or invalidate affairs and conditions existing at the balance sheet date. Euro is used as the

presentation currency. All other currencies are regarded as foreign currencies.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Hempel Foundation entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

Translation of transactions and balances

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date

rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Translation of Group companies

For foreign subsidiaries with a functional currency other than euro, the income statements are translated into euro at the exchange rates prevailing at the end of the reporting period for balance sheet items, and at average monthly exchange rates for income statement items in so far these do not deviate materially from the actual exchange rates at the transaction date.

All exchange differences are recognised in the income statement for the year, except for exchange rate adjustment of investments in subsidiaries arising from:

- foreign exchange adjustments arising from translation of the opening balance of equity of foreign subsidiaries at the exchange rates on the balance sheet date
- the translation of foreign subsidiaries' income statement from monthly average exchange rates to exchange rates at the end of the reporting period

These specific exchange rate adjustments are recognised directly in equity. If the foreign entity is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the minority interest.

Other operating income

Other operating income and operating expenses comprise items of a secondary nature relative to the Hempel Foundation's core activities, including gains or losses on the sale of fixed assets.

Other external expenses

Other external expenses include the year's expenses relating to the Hempel Foundation's core activities, including expenses relating to administration, premises, etc.

Cash flow statement

The cash flow statement for the Hempel Foundation shows the cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as cash and cash equivalents for the Hempel Foundation at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt.

Cash and cash equivalents

The cash flow statement cannot be immediately derived from the published financial records.

For further accounting policies, please refer to the notes.

Section 2

Results for the year

2.1 Revenue

Accounting policies

Revenue from rent income is recognised in the income statement in the periods the rent concerns.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

2.2 Employee costs

Accounting policies

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognised in the year in which the associated services are

rendered by employees of the Hempel Foundation. Where the Hempel Foundation provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

In EUR thousands

	2020	2019
Board of Trustees and Executive Director	666	640
Wages and salaries	419	266
Pension contributions	100	99
	1,185	1,005
<i>Employees:</i>		
Average number of employees	8	8

An additional fee to the Board of Trustees in subsidiaries within the Hempel Foundation Group amounted to EUR 457 thousand (2019: EUR 457 thousand).

With reference to §98b of the Danish Financial Statements Act, the remuneration to the Executive Director is included in the line "Board of Trustees and Executive Director" as Management consists of one person only.

Remuneration for Board of Trustees and Management 2020 in EUR

	Hempel Foundation			Hempel Invest	Hempel A/S		Total
	Remuneration	Committees	Car	Remuneration	Remuneration	Committees	
Richard Sand	100,613	-	31,169	33,538	191,165	40,245	396,730
Leif Jensen	50,307	16,769		26,830	63,722	40,245	197,873
Kim Dam-Johansen	33,538	6,708		20,123			60,369
Birgitte Hagemann Snabe	33,538	3,358		20,123			57,019
Lars Aaen	33,538	6,708		20,123			60,369
Britt Meelby Jensen	33,538			20,123			53,661
Claus Juul Petersen	33,538			20,123			53,661
Henrik Bach Falkenberg	33,538			20,123			53,661
Andreas Glud	33,538			20,123			53,661
	385,686	33,543	31,169	201,229	254,887	80,490	987,004
Anders Holm	214,727						

2.3 Income from investments in subsidiaries

Accounting policies

The items 'Income from investments in subsidiaries' in the income statement include the proportionate share of the profit for the year less depreciation of intercompany profits.

In EUR thousands

	2020	2019
Profit before tax	76,985	90,188
Tax for the year	-32,173	-30,253
Profit after tax	44,812	59,935

2.4 Income tax

Income tax

Accounting policies

Income tax for the year consists of current tax for the year and deferred tax for the year. The tax

attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

In EUR thousands

	2020	2019
Total tax	—	—
Current tax for the year	—	—
Deferred tax for the year	—	—
Adjustment in respect of previous years	—	—

Deferred tax assets and liabilities

Accounting policies

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

Accounting policies

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account.

Extra payments and repayments under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Section 3

Operating assets and liabilities

3.1 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Costs comprise the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, costs comprise direct and indirect expenses for labour, materials, components and sub-suppliers.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in costs over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on costs reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings (max.).....30-50 years
Other fixtures and fittings, tools and equipment 3-10 years
Land is not depreciated

Leasehold improvements are included in other operating equipment and are recognised at cost and depreciated over the term of the lease; however, not exceeding 10 years.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

In EUR thousands

	Land and buildings	Other fixed assets	Assets under construction	Total
Costs, beginning of year	24,553	4,119	20,291	48,963
Exchange adjustment at year-end rate	100	17	83	200
Additions for the year	-	-	6,341	6,341
Transfers between categories	20,295	6,420	-26,715	-
Costs, end of year	44,948	10,556	-	55,504
Accumulated depreciation, beginning of year	7,989	2,951	-	10,940
Exchange adjustment at year-end rate	34	13	-	47
Depreciation for the year	533	363	-	896
Accumulated depreciation, end of year	8,556	3,327	-	11,883
Carrying amount, end of year	36,392	7,229	-	43,621

3.2 Other securities and investments

Accounting policies

Other securities and capital investments, recognised under fixed assets, consist of listed and non-listed bonds and shares measured at fair value on the balance sheet date. The fair value of listed shares and bonds is calculated on the latest listed closing quote. The fair value

of investments in other securities and investments which are not traded often, is measured with reference to the latest publicly announced equity. Realised and unrealised capital gains and capital losses are included in net financials in the income statement.

In EUR thousands

	2020	2019
Costs, beginning of year	124,264	122,442
Additions for the year	130,432	54,415
Disposals for the year	-76,696	-52,524
Exchange rate at year-end rate	511	-69
Costs, end of year	178,511	124,264
Net revaluations, beginning of year	2,784	-9,741
Net revaluations for the year	-651	12,519
Exchange rate at year-end rate	10	6
Net revaluations, end of year	2,143	2,784
Carrying amount, end of year	180,654	127,048

In EUR thousands

Investment category	Fair value hierarchy level	Fair value as of 31 December 2020	Net revaluation recognised through profit and loss
Bonds (Listed)	1	72,908	-1,247
Shares (Listed)	1	100,709	516
Other investments (Listed)	1	7,643	120
Other investments (Non-Listed)	3	265	-40
		180,654	-651

The investments are classified in accordance with the fair value hierarchy:

Level 1 - Fair Value can be measured using quoted market prices in an active market for identical assets and liabilities.

Level 2 - Fair Value can be measured using observable inputs other than quoted market prices.

Level 3 - Fair Value is measured using unobservable inputs.

3.3 Prepayments

Accounting policies

Prepayments comprise prepaid expenses relating to rent, insurance premiums and interest.

3.4 Receivables

Accounting policies

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable and, in respect of trade receivables, a general provision is also

made based on the Hempel Foundation's experience from previous years.

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

3.5 Other liabilities

Accounting policies

Other liabilities are measured at amortised cost, substantially corresponding to nominal value. Other liabilities comprise donations not yet paid, employee costs payable, VAT and duties payable, accruals, other payables and fair values of derivative financial instruments.

In EUR thousands

	2020	2019
Receivables	32,413	95,609
of which due more than one year from balance sheet date	–	–
	32,413	95,609

Section 4

Capital structure and financing items

4.1 Base capital

The base capital of the Foundation amounts to DKK 35 million.

4.2 Financial risks

The Foundation has adopted a conservative investment strategy and hence is not exposed to financial risks other than what is considered normal market risk.

4.3 Net financials

Accounting policies

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

In EUR thousands

	2020	2019
External interest income	802	563
Interest income from subsidiaries	355	1,291
External interest expenses	-682	-484
Dividend	3,082	2,104
Realised and unrealised exchange gains/losses, net	1,689	11,523
	5,246	14,997

4.4 Cash and cash equivalents, net

Accounting policies

Cash and cash equivalents consist of cash at bank and in hand.

4.5 Changes in working capital

Accounting policies

Working capital is defined as current operating assets less current operating liabilities.

In EUR thousands

	2020	2019
Change in operating receivables	-605	-290
Change in trade payables	-415	66
	-1,020	-224

4.6 Bank loans, etc.

Accounting policies

Fixed-interest loans, such as mortgage loans and loans from credit institutions, are recognised initially at fair value net of incurred transaction costs and subsequently at amortised cost using the effective interest method. The difference between the proceeds initially received and the nominal value is recognised as a financial expense in the income statement over the term of the loan.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the terms of the loan at the date of raising the loan.

In EUR thousands

	2020	2019
<i>Long-term bank borrowings etc. including short-term part:</i>		
Due within 1 year	606	743
Due within 1 to 5 years	4,733	5,813
Due after 5 years	13,287	12,797
	18,626	19,353

Section 5

Other disclosures

5.1 Fees to the auditors appointed at the General Meeting

In EUR thousands

	2020	2019
Audit fee	18	18
Other fees	45	7
	63	25

5.2 Adjustments for non-cash operating items

For the purpose of presenting the statement of cash flows, non-cash items with effect on the income statement must be reversed to identify the actual cash flow effect from the income statement. The adjustments are specified as follows:

In EUR thousands

	2020	2019
Depreciations and impairment	896	5,770
Exchange rate adjustment	1	1
	897	5,771

5.3 Related parties and ownership

Related parties and ownership	Basis
<i>Controlling influence:</i>	
Hempel Invest A/S, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Subsidiaries owned by Hempel Invest A/S as specified in note 5.7	
Members of the Executive Board and Board of Directors of Hempel A/S and Hempel Invest A/S as well as the Board of Trustees of the Hempel Foundation are also regarded as related parties. For remuneration to the Board of Trustees, please refer to note 2.2 Employee costs.	
<i>Other related parties:</i>	
Hempel's Employee Foundation, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Hempel's Cultural Foundation, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Hempel's Employee Foundation of 2017, Lundtoftegårdsvej 91, 2800 Kgs. Lyngby, Denmark	Related party
<i>Transactions:</i>	
All related-party transactions were carried out at arm's length	

The Hempel Foundation had the following transactions with related parties, (income)/expense:

In EUR thousands

	2020	2019
<i>Hempel Invest A/S</i>		
Administrative services provided by the Hempel Foundation	-127	-126
<i>Brænderupvænge ApS</i>		
Administrative services provided by the Hempel Foundation	-2	-2
<i>Keldskov ApS</i>		
Administrative services provided by the Hempel Foundation	-2	-2
<i>Hempel's Employee Foundation</i>		
Administrative services provided by the Hempel Foundation	-4	-4
<i>Hempel's Cultural Foundation</i>		
Administrative services provided by the Hempel Foundation	-6	-6
Donation from the Hempel Foundation	2,486	581
<i>Hempel's Employee Foundation of 2017</i>		
Administrative services provided by the Hempel Foundation	-1	-1
<i>Hempel A/S</i>		
Administrative services provided by Hempel A/S	28	28
Rent payments	-1,844	-1,550
Interests	-67	-1,292

5.4 Investments in subsidiaries

Accounting policies

Investments in subsidiaries are recognised and measured under the equity method. This implies that the investments are measured in the balance sheet at the proportionate ownership share of the net asset value of the enterprises with deduction or addition of shares of unrealised intercompany profits and losses.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to 'Reserve for net revaluation under the equity method' under equity. The reserve is reduced by dividend distributed to the parent company and adjusted for other equity movements in subsidiaries.

5.5 Contingent liabilities and other financial obligations

Other contingent liabilities

The Foundation has pledged investments in bonds and shares of EUR 2 million as security for credit facilities with banks. Further, as security for loans from credit institutions of EUR 18.6 million, the Foundation has pledged security in land and buildings with a booked value of EUR 36.4 million.

The Hempel Foundation has committed a total investment in other securities of EUR 1.3 million. As of December 31, 2020 the remaining commitment is EUR 1.0 million.

In EUR thousands

	2020	2019
Costs, beginning of year	4,423	4,426
Exchange adjustment at year-end rate	18	-3
Costs, end of year	4,441	4,423
Net revaluations, beginning of year	586,365	523,778
Exchange adjustment at year-end rate	-32,916	5,587
Remeasurements of defined benefit plans	-2,265	-2,519
Tax on equity	988	-416
Profit before tax	76,985	90,188
Tax for the year	-32,173	-30,253
Dividend received	-13,306	—
Net revaluations, end of year	583,678	586,365
Carrying amount, end of year	588,119	590,788

5.6 Events after the reporting period

On 18 February 2021, the Hempel Foundation's subsidiary Hempel A/S entered into a binding agreement with The Sherwin-Williams Company to purchase Wattyl, one of Australia and New Zealand's leading manufacturers and distributors of paint primarily within the Decorative segment. The transaction is subject to customary approval from relevant authorities.

The business model of the acquired activities includes development, manufacturing and distribution of innovative and technologically advanced branded products. The business includes two manufacturing facilities, five distribution centres and nearly 100 company-owned paint stores, with approximately 750 employees in total. In 2020, the acquired activities generated revenue of approximately EUR 150 million.

No other events have occurred after the balance sheet date that could significantly affect the financial position of the Hempel Foundation.

5.7 Group overview

Location	Name	Ownership
Argentina	Hempel Argentina S.R.L.	100%
Australia	Hempel (Australia) Pty. Ltd.	100%
Austria	Ostendorf GmbH	65%
Bahrain	Dahna Paint Middle East Holding B.S.C. (closed)	51%
Bahrain	Hempel Paints (Bahrain) S.P.C.	51%
Brazil	Hempel Tintas do Brasil Ltda	100%
Canada	Hempel (Canada) Inc.	100%
Chile	Pinturas Hempel Chile SpA	100%
China	Hempel (Hong Kong) Limited	100%
China	Hempel (China) Limited	100%
China	Hempel (China) Management Co., Ltd.	100%
China	Hempel (Kunshan) Coatings Ltd.	100%
China	Hempel (Yantai) Coatings Ltd.	100%
China	Hempel (Guangzhou) Coatings Ltd.	100%
China	Hempel Coatings (Zhangjiagang) Ltd.	100%
Croatia	Hempel Coatings (Croatia) Ltd.	100%
Cyprus	Hempel Coatings (Cyprus) Limited	100%
Czech Republic	Hempel (Czech Republic) s.r.o.	100%
Denmark	Hempel Foundation	100%
Denmark	Hempel Invest A/S	100%
Denmark	Hempel A/S	100%
Denmark	HSA (Denmark) A/S	100%
Denmark	Hempel Decorative Paints A/S	100%
Denmark	Brifa Maling A/S	65%
Denmark	Brænderupvænge ApS	100%
Denmark	Keldskov ApS	100%
Denmark	Frontier Innovation ApS	100%
Denmark	S E Innovation ApS	100%
Ecuador	Hempel (Ecuador) S.A.	100%
Egypt	Hempel Coatings Egypt LLC	100%
Egypt	Hempel Egypt L.L.C.	100%
Egypt	Hempel Paints Egypt LLC	99%

Location	Name	Ownership	Location	Name	Ownership
Finland	OY Hempel (Finland) AB	100%	Portugal	Hempel (Portugal) S.A.	100%
France	Hempel (France) S.A.	100%	Qatar	Hempel Paints (Qatar) W.L.L.	28%
France	BB Participations SAS	65%	Russia	JSC Hempel	100%
France	BB Fabrications SAS	65%	Saudi Arabia	Hempel Paints (Saudi Arabia) W.L.L.	51%
France	Bontemps-Bonnarme SAS	65%	Saudi Arabia	Painting Materials and Equipment Centre Co. LTD	26%
Germany	Hempel (Germany) GmbH	100%	Singapore	Hempel (Singapore) Pte. Ltd.	100%
Germany	Hempel Beteiligungsgesellschaft mbH	100%	South Africa	Hempel Paints South Africa (Pty) Ltd.	100%
Germany	J.W. Ostendorf GmbH & Co. KG	65%	Spain	Pinturas Hempel SAU	100%
Germany	Ostendorf-Beteiligungs-GmbH	65%	Sweden	Hempel (Sweden) AB	100%
Germany	FLT Handel & Service GmbH	65%	Switzerland	Hempel Schweiz AG	100%
Germany	Brand.IQ GmbH	65%	Switzerland	J.W. Ostendorf (Schweiz) AG	65%
Germany	Rottkamp Immobilien GmbH & Co. KG	65%	Syria	Hempel Paints (Syria) W.L.L.	49%
Germany	Rottkamp Immobilien Verwaltung GmbH	65%	Taiwan	Hempel (Taiwan) Co., Ltd.	100%
Greece	Hempel Coatings (Hellas) S.A.	100%	Thailand	Hempel (Thailand) Ltd.	100%
India	Hempel Paints (India) Private Limited	100%	The Netherlands	Hempel (The Netherlands) B.V.	100%
Indonesia	P.T. Hempel Indonesia	100%	The Netherlands	Hempel Industrial B.V.	100%
Iraq	Hempel (Iraq) Ltd	31%	Turkey	Hempel Coatings San. ve Tic. Ltd. Sti.	100%
Ireland	Crown Paints Ireland Limited	100%	UK	Crown Brands Limited	100%
Italy	Hempel (Italy) S.r.l.	100%	UK	Crown Paints Limited	100%
Kenya	Hempel Paints Kenya Company Limited	100%	UK	Crown Paints Group Limited	100%
Korea	Hempel Korea Co. Ltd.	100%	UK	Crown Paints Holdings Limited	100%
Kuwait	Hempel Paints (Kuwait) K.S.C.C.	51%	UK	Hempel Decorative Paints Limited	100%
Malaysia	Hempel (Malaysia) Sdn. Bhd	100%	UK	Hempel UK Ltd.	100%
Malaysia	Hempel Manufacturing (Malaysia) Sdn. Bhd.	100%	UK	Reebor Limited	1%
Mexico	Pinturas Hempel de Mexico S.A. de C.V.	100%	UK	Ostendorf U.K. Ltd.	65%
Morocco	Hempel Maroc SARL	100%	Ukraine	Hempel Ukraine LLC	100%
New Zealand	Hempel (New Zealand) Ltd.	100%	UAE	Hempel Paints (Abu Dhabi) L.L.C.	39%
Norway	Hempel (Norway) AS	100%	UAE	Hempel Paints (Emirates) L.L.C.	49%
Oman	Hempel (Oman) L.L.C	25%	USA	Hempel (USA), Inc.	100%
Peru	Hempel Pinturas Del Perú S.A.C.	100%	USA	Jones-Blair Company, LLC	100%
Poland	Hempel Paints (Poland) S.p. z o.o.	100%	Vietnam	Hempel Vietnam Company Limited	100%

5.8 Financial definitions

Financial ratios have been calculated as follows:

EBITDA	=	Operating profit (and loss) before depreciations
Solvency ratio	=	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	=	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

The team

Anna Mølgaard Thaysen
Manager, Education Partnerships

Robert Ussing Eyfjord
Student Assistant

Christina Fleuron
Project Coordinator

Bettina Klug Rarup
Administrative Employee

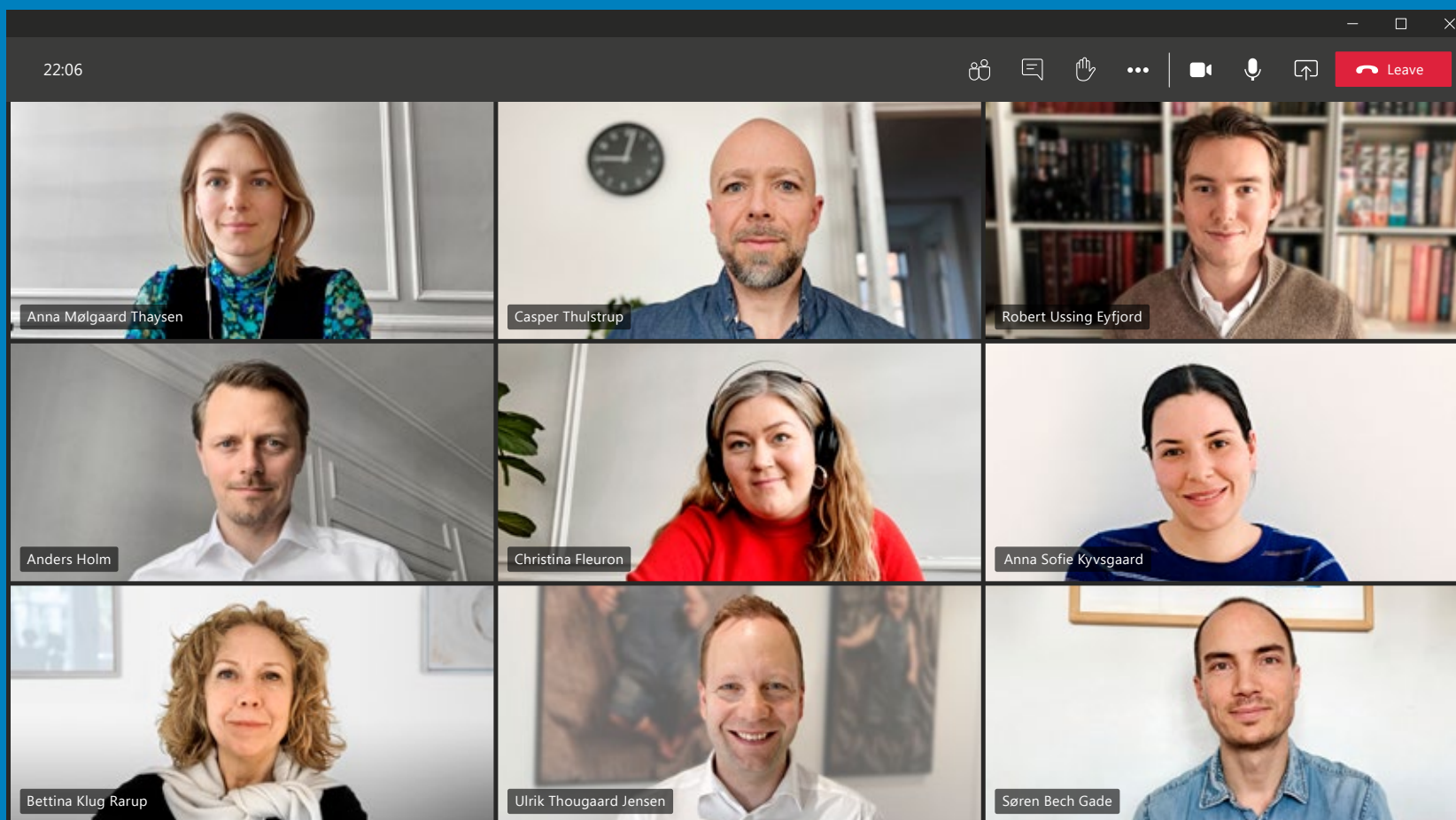
Søren Bech Gade
Communication Manager

Casper Thulstrup
Manager, International Partnerships

Anders Holm
Executive Director

Anna Sofie Kyvsgaard
Student Assistant

Ulrik Thougaard Jensen
Finance and Administration Manager



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