



**HUMAN
PRACTICE**
FOUNDATION

Human Practice Foundation

Lyngbækgårds Alle 2A

2990 Nivå

Business Registration No. 36049081

Annual report 2018

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2018	22
Balance sheet at 31.12.2018	23
Statement of changes in equity for 2018	25
Notes	26
Accounting policies	28

Entity details

Entity

FONDEN HUMAN PRACTICE FOUNDATION

Lyngebækgårds Alle 2

2990 Nivå

Central Business Registration No (CVR): 36049081

Registered in: Fredensborg

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Lars Einar Förberg, Chairman

Ole Andersen

Michael Specht Bruun

Pernille Kruse Madsen

Pernille Foss

Rasmus Nørgaard

Christina Grumstrup Sørensen

Executive Board

Pernille Kruse Madsen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of FONDEN HUMAN PRACTICE FOUNDATION for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

Nivå, 14.05.2019

Executive Board



Pernille Kruse Madsen
CEO

Board of Directors



Lars Einar Förberg
Chairman



Ole Andersen



Michael Specht Bruun



Pernille Kruse Madsen



Pernille Foss



Rasmus Nørgaard



Christina Grumstrup
Sørensen

Independent auditor's report

To the Board of Directors of FONDEN HUMAN PRACTICE FOUNDATION

Opinion

We have audited the financial statements of FONDEN HUMAN PRACTICE FOUNDATION for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 14.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556



Kristoffer Sune Hemmingsen

State Authorised Public Accountant

Identification No (MNE) mne33384

Management commentary

Primary activities

The object of the Foundation is to launch, fund and operate humanitarian projects, growth projects and community projects helping needy or poor people in the world.

The Foundation uses a unique model according to which a wholly owned management company, whose costs are entirely covered by a charitable group of men and women, the Founding Fathers, takes care of the administration. The model means that donations can be used and managed by the Foundation for the intended charity without any deductions of administrative expenses.

Development in activities and finances

Introduction

2018 was an extremely active and successful year for Human Practice Foundation. In fact, it was one of our best years in terms of the high degree of realized activities and a financial result of over **12.000.000 DKK** in realised fundraising.

The funds raised for projects have been spent on constructing new schools, upgrading facilities, training teachers, providing clean drinking water to the schools, creating jobs and on social entrepreneurship projects.

At the end of 2018, Human Practice Foundation had constructed 30 new school buildings, 10 new toilet buildings, installed 15 libraries, 16 playgrounds, 7 science labs, 11 computer rooms, 16 school equipment packages in total, positively impacting more than 20,000 children in Nepal and Kenya.

In the following management commentary, you can read more about our projects and activities in 2018.

Nepal – the challenge

In Nepal our project work is primarily focused In the Taplejung district. Taplejung is located in the north-eastern corner of Nepal In the Himalaya mountains. The district suffers from its remote location and the infrastructure is bad. The poverty in Taplejung is immense and impacts many lives. The educational sector is suffering and there is a lack of job opportunities and economic growth in the districts.

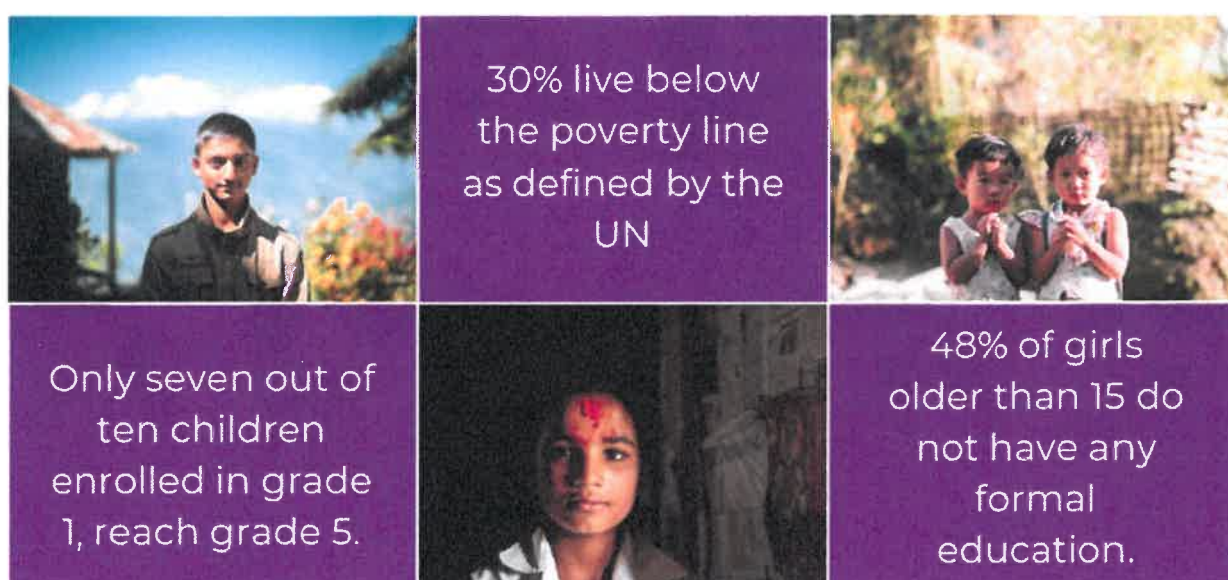
When visiting the district of Taplejung, it is obvious that the school buildings are not suited for educational purposes. Some are worn out; some have completely or partly collapsed during the devastating earthquakes in 2015 and most of them have no educational tools or facilities to support the teachers.

Most parents do not prioritize sending their children to school. This is partly because the school buildings are unsafe or non-existing; the quality of the education is poor, but also because they need their children to contribute to household chores. A patriarchal culture is predominant with all females taking care of the household chores and families primarily live of their own farming produce. Many parents also do not

Management commentary

appreciate the long-term value of an education, as there are no or only few skilled job opportunities in the local community.

Adding to this challenge is the teachers' poor educational level. Some teachers have only completed secondary school, while others have a three-month course provided by the Government. However, none of them have additional training or education in teaching methods. In addition, it is difficult to attract enough teachers in these remote areas, where hiking for hours is the only way to reach the schools. Furthermore, the high degree of poverty and lack of education in the districts makes it very difficult to create economic growth, and well-paying jobs are scarce. Many are forced to migrate.



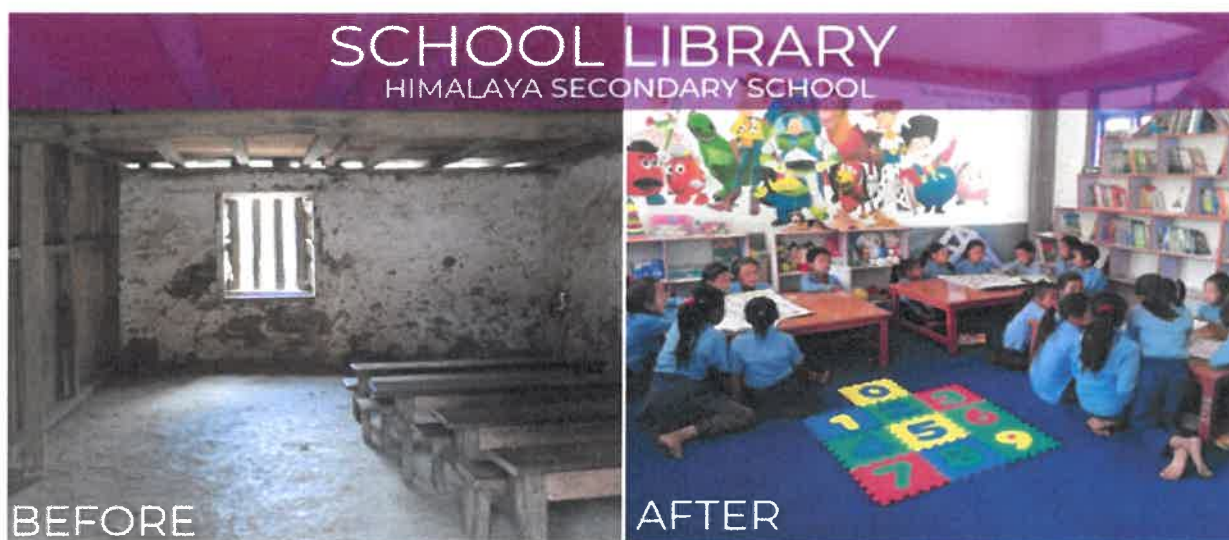
Nepal - projects 2018

In 2018, we continued and expanded one of our core activities - constructing new school buildings in Nepal. In 2017, we initiated 11 construction projects as phase 1 of the school constructions included in our Project Agreement with the Nepali Government. We completed all 11 constructions in 2018 and we initiated nine more as part of phase 2. By constructing new school buildings with modern, spacious and bright classrooms, we create a platform, which is imperative for our efforts to create quality education in Nepal.

Improved facilities and training

The next step was to improve the facilities at our project schools. It is essential that the students have access to proper facilities where they can improve their reading abilities in libraries, explore new skills in computer labs, experiment in science labs and have fun in playgrounds. Before installing the new facilities, we spent time with the students and teachers to understand the specific needs at the individual school. We implement their input and fulfil their needs in the facilities, which simultaneously helps create a sense of ownership for their new and improved school facilities and educational environment. Additionally, we focus on creating facilities that are suited for students of different ages and with different needs. We aim at creating inclusive and open schools for all students.

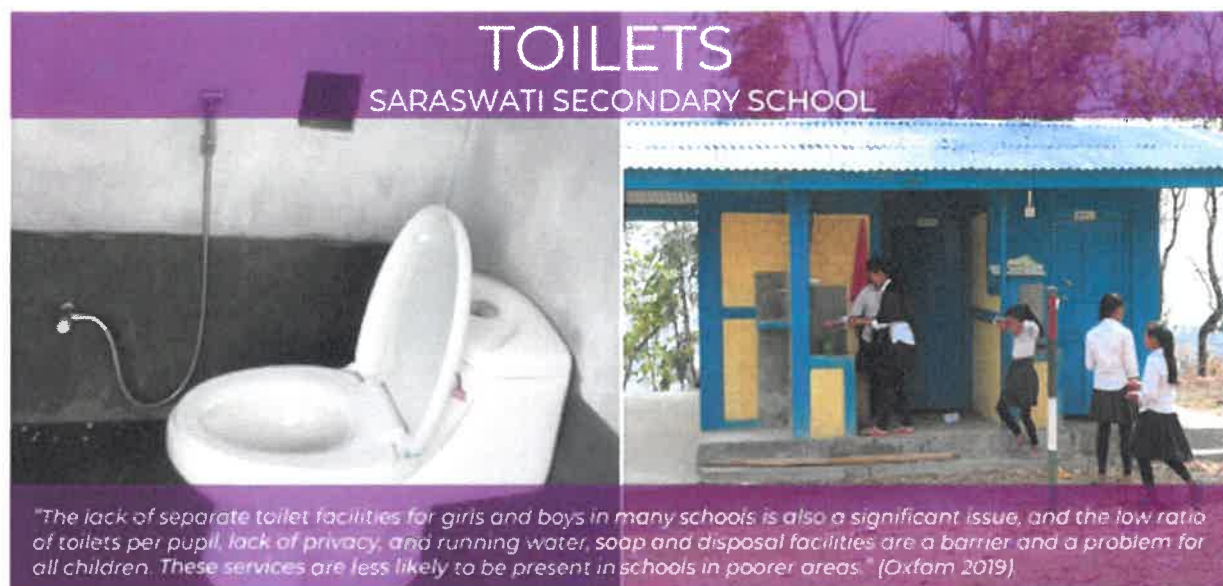
Management commentary



New facilities are not worth much if the knowledge of how to efficiently use them is non-existent. Therefore, we train the teachers in using the new facilities once they are installed. We conduct workshops for a cluster of schools, providing training by a librarian and experts in sports, science and IT. In 2018, we installed new facilities at 12 schools to foster quality education.

Sanitation and clean drinking water

At the beginning of the year, the Swedish Jochnick Foundation agreed to donate **2,170,000 DKK** for a large project consisting of two new school constructions with facilities and 16 toilet constructions. Together with Jochnick Foundation, we have put an additional emphasis on the sanitary situation at our project schools, where we identified serious sanitary problems. The lack of sanitary facilities and drinking water has a negative impact on the students at our project schools, as many choose not to attend school because of poor facilities. In 2018, we therefore initiated a new programme focusing sanitation at our project schools. We are constructing toilet buildings next to all our new school buildings to provide good sanitary facilities. The toilets are disabled-friendly and gender divided. Additionally, we have implemented a way for the girls to easily dispose of sanitary pads. We completed the first 10 toilet buildings in 2018.



Management commentary

Jochnick has been an active partner that has helped us shape the impact of the project. Jochnick has visited the project in Taplejung and had discussions with our local team about how to solve some of the issues, the schools are facing. As an example, we are now working on providing sanitary pads for the girls and we're piloting a partnership with Build Up Nepal, where the locals are trained in manufacturing bricks from local materials creating local jobs and making the future maintenance easier.

Furthermore, we started a project providing clean drinking water and a sustainable water source to six of our schools together with the renowned Danish engineering firm Rambøll. In 2018, we mapped out the location of water sources for all six schools, designed pipelines to the schools and designed models to build sustainable water supplies for sustainable water. We look forward to implementing these models at the schools in 2019. This project will serve as a pilot project where the method and model created can be expanded to the rest of our project schools.

The Rambøll Foundation has donated **1,180,000 DKK** to the project. In addition to the donation, two of Rambøll's most experienced water engineers have been involved in the project. They have helped design and monitor the project and they also visited Taplejung in September to launch the project with our local team.



Social Entrepreneurship Programme

In 2018 we also initiated our expanded social entrepreneurship programme. We have partnered with Danish Innovation college Niels Brock. Niels Brock Innovation College has many years of experience training students in social entrepreneurship within a development context. Their expertise has helped create the right framework for our expanded efforts in this programme.

In November, two of their teachers traveled to Taplejung to conduct a four-day workshop on social entrepreneurship. Teachers and local entrepreneurs from seven schools participated in the workshop. The participants were trained in how to teach social entrepreneurship to the older students and facilitate group work, where the students create their own projects and business ideas in social entrepreneurship.

Management commentary

The next step is for the teachers to implement it at the schools and work with the students' project ideas. At a later stage, we will support the best ideas financially and Niels Brock will help guide the students when they set out to make their business ideas come to life.

Social Impact Projects

In 2018, we also saw our coffee impact programme take off as we started implementing phase 1 of the programme. We have trained 500 local Taplejung farmers in all the different aspects of creating quality beans, planting seedlings and taking care of them. Phase 1 is directly affecting 2,500 people in terms of the farmers' families and is expected to have a positive impact on the local communities in the future.

We also established three coffee nurseries in optimal areas for growing quality seedlings. Each nursery has one local employee, who is responsible for managing the nursery and taking care of the seedlings, supported by the local farmers connected to the nursery. Furthermore, the program has a local project coordinator, who is coordinating the program with the farmers. So far, we have planted a total of 60,000 seedlings at the three nurseries.

One of the main reasons that this project has taken off well in 2018 is our partnership with Lekali Coffee. Lekali Coffee imports high-quality specialty coffee to international markets and has some of the deepest knowledge on coffee in Nepal. As a partner, they help us train the local farmers, and show them how to process the beans into high-quality coffee. Furthermore, they are an important part of monitoring the project and making sure that everything is done in accordance with the Lekali standard, as the product will be sold internationally under their brand name.

The next step in the programme will be to train 600 additional local farmers, establish three more nurseries and start the processing of the beans in order to export them to international markets.



This is Mabindra who is 34 years and a Taplejung native. He wanted to stay in Taplejung and raise his kids, but he was forced to Qatar to take up extremely hard manual labor as there was no means to support his family in Taplejung. He stayed there for 4 years until he had enough money for a return ticket. He moved back to Taplejung to be part of HPF's coffee project. He is now a local farmer working at one of our nurseries and farming his own coffee with his family. He has a daughter who is 11 years old, who is studying at the HPF supported school Change Secondary School.

Management commentary

Our Bhakanje Tea project has also progressed in 2018. 180 farmers are farming tea bushes for the project and we've been testing the quality of the bushes to ensure they farm with high quality. In the end of 2018, we started constructing the tea producing factory. The farmers will send their tea leaves to the factory for processing. It will be processed into tea that can be sold internationally. In 2019 we aim to finish the construction before the monsoon and start producing tea in the second half of the year.

Kenya – the challenge

In Kenya, 36.8% of the population lives in absolute poverty, as defined by the UN. Even though Kenya is a relatively developed African country, inequality is still a massive problem, and most of the education system is worn down due to poverty.

Even though Kenya has a high BNP compared to other African countries, poverty and massive inequality is still one of the biggest challenges. Only 21% of Kenya is illiterate, but the education system does not provide many valuable opportunities beyond the basics. There is a great need for investment in the Kenyan education system.

When visiting the rural parts of Kenya, it becomes obvious that the educational sector is deprived of proper school buildings and facilities. This increases inequality and hinders the poor people of Kenya in creating a better future for themselves and developing their communities. The teachers and parents' motivation towards education is low and it is obvious that they need help to improve this situation.



36% live in
absolute poverty,
as defined by the
UN



Only two out of
ten children
enrolled in grade
1, reach grade 8.



23% of Kenyan
girls are married
before their 18th
birthday

Management commentary

Kenya - projects 2018

Human Practice Foundation has made good progress with our projects in Kenya in 2018.

Together with our partner Charlie Dyer and the Kisima Foundation, we have completed four school construction projects and the local community held beautiful opening ceremonies to thank the donors for their contribution to the new school facilities. We have also started one additional school projects and two more are in the pipeline.

Furthermore, we have, with the support of the Kavli Trust, initiated a quality education programme at five project schools. This project will upgrade the school facilities with libraries, playgrounds and will include a social entrepreneurship programme and a teacher-training programme with homework help.

Our partner Kisima Foundation has partnered with Lewa Conservancy and Borana Conservancy, which are two big organizations in the local area working with schools and education. Together, they have initiated a combined exam programme for local schools. In the start-up phase, 27 schools participated and grades 7 and 8 were put through examinations. In general, the HPF-supported schools showed good results.

The collection of social impact measurement data from the exam programme will allow us to compare the schools and replicate the initiatives and model from the successful schools to the lesser successful schools. This will be of great value for the level of education.

In late 2018, Kiborione Primary School was chosen by the Kenyan Government as a model school for the surrounding schools in the area. The school was chosen due to the students' grades, attendance, the well-functioning management of the school, the quality of the teachers as well as the number of students continuing to secondary school. We are incredibly proud of contributing to helping Kiborione Primary School reach its full potential.



This is Lisba.

She is in year 7 at the HPF-supported Kiborione Primary School. Her favorite subject is science, and she would like to be a doctor or a scientist when she grows up.

The 240 students at Kiborione Primary have since 2017 gained access to a library, playground, entrepreneurship programmes and teachers training through HPF.

After the upgrade of her school she has gained access to new books and she loves spending time in the library after school with her friends.

Management commentary

HPF organizational changes

As 2018 has been our most active year, we have made changes in our organizational structure and teams in order to implement our projects effectively and with high quality.

At the Danish office, this meant hiring a Head of Partnerships and Business Development who will primarily be working with our partnerships, over-all strategy and optimization of our organization. Additionally, we have added a full-time project assistant to our Danish team, because we have expanded our project scope in Nepal and Kenya in 2018. This project assistant will work alongside our Head of Projects.

In Nepal, we have also strengthened our local team. We have hired a new Country Manager who has worked in various INGOs before and has a strong experience in the international development sector. His primary tasks is to oversee our operations in Nepal and strengthen our organizational structure. Furthermore, we have hired an Assistant Finance Officer in Taplejung to support our Finance Officer and the schools with the financial processes to ensure that our financial reporting and handling of donations are done in the best and most secure way.



Founding Fathers and Founding Companies

Our successful 2018 has been helped along by our Founding Fathers and Founding Companies. Founding Company Gorrissen Federspiel has helped us with all the legal work involved with registering HPF in Switzerland and England for fundraising purposes. Additionally, they have one employee who is working at our office helping us with fundraising and administration two days each week, pro bono.

In 2018 we have also moved forward our partnership with the Founding Company Deloitte. In 2017 we developed our new Theory of Change along with a method for how to measure our social impact at the schools, in the local communities and in the district. In 2018, we collected baseline data by conducting

Management commentary

household surveys, which provided us with more in-depth information about the social aspects that we are hoping to improve with quality education as well as data for the improvements at the schools.

From our data collected at the schools, we have seen an improvement of enrollment by on average 45 students, a 5% increase in attendance rates and a 7% increase in learning achievement within the first year of our projects. We expect these number to improve further, once we implement additional quality education programmes at the schools.

Our group of Founding Fathers has been expanded in 2018 as a result of the increased activities and strengthening of our organization. We are extremely happy to have welcomed C.P. Khetan to the group. C.P. Khetan is Managing Director of the Khetan Group and Director of the Lotus Life Foundation. He has a big network In Nepal and has been a strong supporter of HPF from the beginning and helped with our registration as an INGO and our Project Agreement.



Ambitions for 2019

Our hopes and ambitions for 2019 are very high and we are looking to build on our success from 2018 and further expand our project and fundraising activities in order to increase our impact on disadvantaged children in 2019.

Presence and fundraising in England, Switzerland and Sweden

We will focus on expanding our partnerships with and donations from larger foundations and partners. As experienced in 2018, our projects benefit greatly from partnerships with larger foundations or organizations that can take on an active role and contribute with knowledge and expertise as well as funds for our projects. Therefore, we have registered Human Practice Foundation in England and Switzerland to broaden our search for partners and donors. These registrations make partnerships in these countries more accessible and we will work intensively on finding suitable partners. In addition to this we have started expanding our network in Stockholm, where we are in dialogue with some larger foundations regarding partnerships.

Management commentary

Project Inner Strength

In 2018, we developed our first Danish programme aimed at supporting socially vulnerable children in Danish public schools, which we will implement in 2019. Many school students are showing signs of not thriving. They withdraw from social gatherings, feel out of place and different, which in some cases can lead to increased absence from school or trouble concentrating in school. In collaboration with Foreningen for Børns Livskundskab, Bikubenfonden & Danish public schools we have developed a 12-week Inner Strength course, that focuses on the individual child's mental and physical well-being in school.

During the programme, the children will work in smaller groups, where they will go through exercises designed to strengthen their understanding and sense of unity, well-being, self-esteem, and ability to concentrate. The children will also go on two camps, where we focus on team-building exercises that strengthen trust and unity.

The teachers will go through teacher training courses, where they not only work with their own relational competences, but also learn how to incorporate exercises from the programme into their teachings. This way, all the students, who are not taking the Inner Strength course, will also experience working with the same type of exercises used in the course, in order to train their ability to concentrate and shape their understanding of unity.

Humblebæk Skole, who has been part of developing the programme, has chosen to be the first school in Denmark to offer Inner Strength as an elective. We are looking forward to implementing the project in 2019. It is our hope that we over time, will be able to duplicate and expand the programme to other public schools in Denmark.



"Community contribution has been made at the school. Community actively participated in construction of school right from excavation of foundations, bringing in local materials like sand, stone, bamboo, woods and furniture. The Building we got is now built in proper technical guidance and is earthquake resistant so that we no longer fear of any significant damage if natural disaster occurs. The room is more spacious and is well lightened inside so now we have more students in each room and a proper classroom where they can see and understand better."

Padam Sendang, Head teacher and parent at Durga Secondary School

Management commentary

Quality Education Programme in Taplejung

We also have ambitious plans for our projects in Taplejung. We have created a strong educational platform by constructing school buildings, improving facilities and we are currently working on the educational infrastructure. The next step is to focus on the quality of education at our schools

In 2019, we are planning to start implementing a larger education programme. The programme will focus on improving the quality of education at our project schools by working with four overall aspects: Teachers, School Management, Students and Community.

We will train the teachers in activity-based teaching methods to give them more tools and better skills to teach the students and involve them in their education. We will also help them increase their level of English and IT skills, as we deem these two subjects as essential for the students' ability to obtain jobs or continue into secondary education after they graduate. In addition, we will train the School Management Committees (SMCs) in how to manage a school properly. Most SMCs have no management experience, so we will train them in financial management, staff management and teach them how to create a good educational environment for the students.

We will conduct workshops with the students to get their input on what is needed to create a good school and to get their feedback on how the programme is impacting the school and their education. Furthermore, we will also conduct homework help workshops at all schools to ensure that the students get the necessary help in order to do their homework, so they don't fall behind in class if they are struggling with specific subjects. Finally, we will work with the community and the parents to assure that the parents send their children to school and support their education. We will talk with them about the importance that education has for their children's future and the impact it can have on the local community.

To implement this programme we will hire an Education Team to work with our team in Taplejung. This team will consist of education experts and teacher trainers. They will work closely with the schools and monitor the progress of the programme closely. We will implement the programme in cooperation

with the Rural Municipality. This creates a more powerful approach and ensures sustainability as we will not only be working with the schools but the whole education sector in Taplejung.

2018 has been Human Practice Foundations most successful year to date and we look forward to making 2019 even more successful!



"Initially the old school block was not sufficient for students. We had days where we used to study in open sky outside in the fields. Now we have a well facilitated school with science lab, computer rooms and library. Similarly, we didn't have any managed toilets. Now HPF has built a spacious toilet separate for boys and girls which has indeed helped a lot in health & hygiene."

Gulsan Pradan, class 12, Durga Secondary School

Management commentary

Statutory report on foundation governance

The Management Board of the foundation

The board members of the foundation are appointed based on their personal characteristics and competences, taking into account the Board's overall competencies, and taking into account diversity in relation to, inter alia, business and distribution experience, age and gender. The Board of Directors does not receive remuneration.

There is an age limit of 75 years for the board members of the foundation. The members of the Board of Directors are as follows:

Lars Förberg, Chairman

Male, 53 years old.

Joined the board on September 7, 2016 and re-elected on September 19, 2018 for a two-year term.

The member is considered independent.

Other management positions: Managing partner, Cevian Capital. Board Member, ABB Ltd.

Ole Andersen, board member

Male, 62 years old.

Joined the board on September 7, 2016 and re-elected on September 19, 2018 for a two-year term.

The member is considered independent.

Other Management Positions: Chairman of Bang & Olufsen A/S. Member of Nomination Committee for NASDAQ Nordic Ltd. as well as member of the Board of DenmarkBridge. Director of OGA Holding ApS.

Rasmus Nørgaard, board member

Male, 47 years old.

Joined the board on September 9, 2014 and re-elected on May 2, 2017 for a two-year term.

The member is considered independent.

Other Management Positions: Other Management Positions: Chairman of NREP A/S and participates in the management of many companies related to NREP A/S.

Pernille Foss, board member

Female, 65 years old.

Joined the board on July 10, 2014 and re-elected on May 2, 2017 for a two-year term.

The member is considered independent.

Other Management Positions: Board Member FOSS A/S, Vice Chairman of the Board of N. FOSS & CO A/S, Board Member Løndal Østerskov A/S and Addithus Skovdistrikt Syd ApS.

Michael Specht Bruun, board member

Male, 38 years old.

Joined the board on September 19, 2018 for a two-year term.

The member is considered independent.

Other Management Positions: Board member at HRA Pharma, Hamlet Protein, Navico, Noveltech, ReNew Power, Trackunit

Christina Grumstrup Sørensen, board member

Female, 46 years old.

Joined the board on September 19, 2018 for a two-year term.

The member is considered independent.

Other Management Positions: Senior Partner at Copenhagen Infrastructure Partners K/S. Board member at DSB A/S (the Danish Railway Company), and Terma A/S. Head of CAPEX procurement committee.

Pernille Kruse Madsen, board member

Female, 39 years old.

Joined the Board of Directors at the foundation on July 10, 2014 as a born member.

The member is not considered independent.

Other Management Positions: Board member at Ejendomsselskabet Scandinavia A/S. Director of HPF Driftsselskab ApS.

Management commentary

Recommendations on foundation governance

The foundation is covered by the Recommendations on Foundation Governance, which are available on the website of the Committee on Foundation Governance www.godfondsledelse.dk.

The Board of Directors have addressed the recommendations as follows:

1. Transparency and communication

1.1. **IT IS RECOMMENDED** that the board of directors adopt guidelines for external communication, including who can make public statements on behalf of the foundation and on what matters. The guidelines should address the need for transparency and stakeholders' needs and possibilities to obtain relevant up-to-date information about the circumstances of the foundation.

The foundation complies

2. Tasks and responsibilities of the board of directors

2.1 Overall tasks and responsibilities

2.1.1 **IT IS RECOMMENDED** that, in order to secure the activities of the commercial foundation in accordance with the purposes and interests of the foundation, at least once a year the board of directors take a position on the overall strategy and distribution policy of the foundation on the basis of the articles of association.

The foundation complies

2.2 Chairman and vice-chairman of the board of directors

2.2.1 **IT IS RECOMMENDED** that the chairman of the board of directors organise, convene and chair meetings of the board of directors in order to ensure effective board work and to establish the best conditions for the work of the board members individually and collectively.

The foundation complies

2.2.2 **IT IS RECOMMENDED** that if, in addition to the position as chairman, in exceptional circumstances, the chairman of the board of directors is requested to perform specific operating functions for the commercial foundation, a board resolution be passed which ensures that the board of directors retains its independent, overall management and control function. Appropriate allocation of responsibilities should be ensured between the chairman, the vice-chairman, the other members of the board of directors and the executive board, if any.

The foundation complies

2.3 Composition and organization of the board of directors

2.3.1 **IT IS RECOMMENDED** that the board of directors regularly assess and stipulate the competences that the board of directors is to possess in order to perform the tasks incumbent upon the board of directors as well as possible.

The foundation complies

2.3.2 **IT IS RECOMMENDED** that, with due respect of any right in the articles of association to make appointments, the board of directors ensures a structured, thorough and transparent process for selection and nomination of candidates for the board of directors

The foundation complies

Management commentary

2.3.3 IT IS RECOMMENDED that members of the board of directors are appointed on the basis of their personal qualities and competences taking into account the collective competences of the board and when composing and nominating new members of the board the need for introducing new talent is weighed against the need for continuity and the need for diversity is considered in relation to commercial and grants experience, age and gender.

The foundation complies

2.3.5 IT IS RECOMMENDED that the majority of the members of the board of directors of the commercial foundation are not also members of the board of directors or executive board of the foundation's subsidiary(ies), unless it is a fully owned actual holding company.

The foundation complies

2.4 Independence

2.4.1 IT IS RECOMMENDED that an appropriate proportion of the board of directors be independent. If the board of directors (excluding employee representatives) is composed of up to four members, at least one member should be independent. If the board of directors is composed of between five and eight members, at least two members should be independent. If the board of directors is composed of nine to eleven members, at least three members should be independent, and so on.

To be considered independent, this person may not:

- be or within the past three years have been member of the executive board, or senior employee in the foundation, or a subsidiary or associated company to the foundation,
- within the past five years have received larger emoluments, including distributions or other benefits from the foundation/group or a subsidiary or associated company to the foundation in other capacity than as member of the board of directors or executive board of the foundation,
- within the past year have had a significant business relationship (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management of companies with corresponding connection) with the foundation/group or a subsidiary or associated company of the foundation,
- be or within the past three years have been employed or partner at the external auditor,
- have been a member of the board of directors or executive board of the foundation for more than 12 years,
- have close relatives with persons who are not considered as independent,
- is the founder or a significant donor if the purpose of the foundation is to grant support to this person's family or others who are especially close to this person, or
- a member of the management of an organisation, another foundation or similar, which receives or repeatedly within the past five years have received significant donations from the foundation.

The foundation complies

2.5 Appointment period

2.5.1 IT IS RECOMMENDED that members of the board of directors be appointed for a minimum period of two years and a maximum period of four years.

The foundation does not comply. Pernille Kruse Madsen, whom took the initiative to start the foundation, is due to the statutes, born member of the board of directors, and is not on election.

2.5.2 IT IS RECOMMENDED that an age limit for members of the board of directors be set, which is published in the management review or on the foundation's website.

The foundation complies

2.6 Evaluation of the performance of the board of directors and the executive board

2.6.1 IT IS RECOMMENDED that the board of directors establish an evaluation procedure in which the board of directors, the chairman and the contributions and performance of individual members are evaluated annually, and the result is discussed by the board of directors.

The foundation complies

Management commentary

2.6.2 **IT IS RECOMMENDED** that once a year the board of directors evaluate the work and performance of the executive board and/or the administrator (where relevant) in accordance with predefined clear criteria.

The foundation complies

3. Remuneration of management

3.1. **IT IS RECOMMENDED** that the members of the board of directors of commercial foundations be remunerated with a fixed remuneration and that members of a possible executive board be remunerated with a fixed remuneration, possibly combined with a bonus which should not be dependent upon accounting results. The remuneration should reflect the work and responsibilities consequential to the position.

Members of the board of directors, do not receive remuneration.

3.2 **IT IS RECOMMENDED** that the annual financial statements provide information about the full remuneration received by each member of the board of directors and executive board (if relevant) from the commercial foundation and from other enterprises in the group. Furthermore, there should be information on any other remuneration which members of the board of directors, except for employee representatives, have received for performing tasks for the foundation, subsidiaries of the foundation or enterprises in the same group as the foundation.

The foundation complies

Statutory report on distribution policy

The distribution policy of the Foundation has been adopted by the Foundation Board and is included below:

Distribution policy of the Human Practice Foundation

1. Introduction

1.1 This distribution policy has been prepared in accordance with section 77b of the Danish Financial Statements Act.

1.2 The Foundation's articles of association state that:

"The object of the Foundation is to launch, fund and operate humanitarian projects, growth projects and community projects helping needy or poor people in the world, and any related business."

1.3 The Foundation owns an operating company, HPF Driftsselskab ApS, which is responsible for carrying out operational and administrative tasks, as well as project tasks, etc for the Foundation. The administrative expenses of the operating company are financed entirely by a number of resourceful people, the so-called Founding Fathers. This means that the Foundation, through the operating company, manages funds donated by others, which go to earmarked purposes in full.

1.4 In some cases, however, the Foundation will have funds available, which the Foundation distributes directly, i.e. dividends from the Foundation's ownership interest in HPF Driftsselskab ApS and other means which Management considers to be distributed.

1.5 The distribution of funds in the Foundation is made in accordance with this distribution policy.

Management commentary

2. Distribution objectives of the Foundation

2.1 The Foundation will allocate funds to projects that fall within its object. More specifically, the Foundation will support:

2.1.1 Humanitarian projects, such as initiatives and investments contributing to better educational aspects, including general access to education, as well as education of a higher quality, and under better conditions than would otherwise be available.

2.1.2 Growth projects, such as entering into partnerships, taking initiatives and making investments concerning local businesses which together can support and develop the production of local products and services, thereby creating growth and jobs.

2.1.3 Community projects, such as initiatives and investments aimed at enhancing the standard of living in areas in need of this.

3. Adoption and distribution of dividends

3.1 The Foundation may allocate the amounts determined by the Foundation Board at the annual general meeting, or other board meetings, within the framework of this distribution policy and the regulation of distribution in accordance with the Danish Act on Commercial Foundations. The amount for distribution must be included in the Foundation's distributable reserves.

3.2 Upon distribution, the Foundation determines the specific purpose, possibly in agreement with the donor. Distributions and recipients of distributions are listed in a register of legatees.

4. Recipients of distributions

4.1 It is important to the Foundation that activities managed by the Foundation contribute to a positive social return in the areas where the activities are performed. Projects covered by the Foundation's work must help to start a good circle, thus relying on a sustainability principle, so that the effect can survive after the projects are completed. This means that projects covered by the Foundation's work must include a requirement for local investment and involvement where this makes sense.

5. Evaluation of distributions

5.1. As part of the Foundation's work, projects will be evaluated on an ongoing basis and effects will be measured to the extent possible.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Revenue	1	4,103,877	2,822,236
Other external expenses		<u>(3,363,980)</u>	<u>(2,492,836)</u>
Gross profit/loss		739,897	329,400
Staff costs	2	<u>(732,724)</u>	<u>(294,641)</u>
Operating profit/loss		7,173	34,759
Income from investments in group enterprises		105,457	87,588
Other financial expenses		<u>0</u>	<u>(4,360)</u>
Profit/loss before tax		112,630	117,987
Tax on profit/loss for the year		<u>(7,173)</u>	<u>(30,399)</u>
Profit/loss for the year		<u>105,457</u>	<u>87,588</u>
Proposed distribution of profit/loss			
Provision for distributions		<u>105,457</u>	<u>87,588</u>
		<u>105,457</u>	<u>87,588</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Investments in group enterprises		50,000	50,000
Fixed asset investments	3	50,000	50,000
Fixed assets		50,000	50,000
Other receivables		32,798	881,863
Prepayments		0	8,707
Receivables		32,798	890,570
Cash	4	11,283,936	8,056,562
Current assets		11,316,734	8,947,132
Assets		11,366,734	8,997,132

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018</u> <u>DKK</u>	<u>2017</u> <u>DKK</u>
Contributed capital		300,000	300,000
Provision for distributions		105,457	87,588
Equity		405,457	387,588
Prepayments received from customers	5	9,103,332	6,810,953
Payables to group enterprises		368,989	182,342
Income tax payable		0	30,399
Other payables		158,737	41,100
Deferred income		1,330,219	1,544,750
Current liabilities other than provisions		10,961,277	8,609,544
Liabilities other than provisions		10,961,277	8,609,544
Equity and liabilities		11,366,734	8,997,132
Related parties of commercial foundations	6		

Statement of changes in equity for 2018

	Contributed capital DKK	Provision for distributions DKK	Total DKK
Equity beginning of year	300,000	87,588	387,588
Ordinary distributions	0	(87,588)	(87,588)
Profit/loss for the year	0	105,457	105,457
Equity end of year	300,000	105,457	405,457

Notes

1. Revenue

	2018	2017
	DKK	DKK
Revenue from Founding Fathers	3,003,022	2,221,702
Revenue from projects	1,100,855	600,534
Total revenue	4,103,877	2,822,236

	2018	2017
	DKK	DKK
Administration fee to HPF Driftsselskab ApS	3,003,022	2,217,342
Financial items and fees	0	4,360
Danish activities funded by Founding Father contributions	3,003,022	2,221,702

Other external expenses, INGO	360,958	275,494
Staff Cost, INGO	732,724	294,641
Tax on profit, INGO	7,173	30,399
INGO activities funded by project contributions	1,100,855	600,534

	2018	2017
2. Staff costs		
Number of employees at balance sheet date	19	18
Average number of employees	17	9

Staff Cost of DKK 733 thousand (2017: DKK 295 thousand) relate to staff cost in the INGO.

3. Fixed asset investments

	Registered in	Corpo- rate form	Equity inte- rest %	Equity DKK	Profit/loss DKK
Investments in group enterprises comprise:					
HPF Driftsselskab ApS	Fredensborg	ApS	100.0	202,418	140,943

Notes

4. Cash

The item comprises prepayments received regarding projects of DKK 6.811 thousand, which the Foundation cannot dispose of for own purposes.

5. Prepayments received from customers

Prepaid donations include donations, of which 100% of the funds are allocated to a project either directly or through the HPF INGO. All cost in the HPF INGO are allocated to projects. These donations are recognised directly in the balance sheet by offsetting payments made to the partner of the individual project or cost in the INGO.

	2018	2017
	DKK	DKK
Donations received at beginning of the year	6,810,953	2,813,288
Donations received during the year	9,084,516	8,548,682
Foundation distributions granted during the year	87,588	75,806
Transferred directly to projects from Denmark	(2,880,763)	(2,443,875)
INGO resources allocated to projects	(1,100,855)	(600,534)
INGO funds transferred directly to projects	(3,146,977)	(1,491,193)
Currency exchange adjustments and interest on project accounts	248,870	(91,221)
Donations received at the end of the year	9,103,332	6,810,953

6. Related parties of commercial foundations

Related party transactions comprise:

- Purchase of services from subsidiary of DKK 3,003 thousand (2017: DKK 2,217 thousand)
- Dividend from subsidiary of DKK 105 thousand (2017: DKK 88 thousand)
- Founding Father contribution from board members of DKK 2,058 thousand (2017: DKK 1,150 thousand)
- Project donations from board members etc of DKK 350 thousand (2017: DKK 674 thousand)
- Payables to group enterprises comprise the annual adjustment to the on account fee payments.
- The subsidiary's remuneration of the Foundation CEO amounted to DKK 535 thousand (2017: DKK 528 thousand)

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

The INGO is translated into DKK based on the exchange rate DKK/NPR as at 31 December 2018 of DKK 0.058 per NPR.

Income statement

Revenue

Charities and contributions to the Foundation are recognised in the income statement as received.

Contributions from the Founding Fathers are recognised as income statement when a binding commitment is available and are accrued over the period covered by the contribution.

Contributions from projects utilized in the HPF INGO are recognised in the income statement.

Other external expenses

Other external expenses include expenses relating to the administration etc. of the Foundation as well as expenses relating to the administration of the HPF INGO.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff in the HPF INGO.

Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year.

Other financial expenses

Other financial expenses comprise interest expenses, net capital losses on payables and transactions in foreign currencies, and amortisation of financial liabilities.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Investments in group enterprises

Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Distributions

Distributions approved

Distributions are regarded as equity movements and are recognised as a liability at the time when the Foundation Board has approved the distribution and the recipient has been informed. Distributions that have been approved, but not paid, are recognised as long-term and short-term liabilities other than provisions, respectively.

Transferred for distribution

In accordance with the Danish Act on Commercial Foundations, a provision is made for distributions allowing the Foundation Board to approve and pay distributions during the financial year. The Board is not obliged to use the provision, but it is written down as distributions are approved. Each year at the Foundation's annual general meeting, the Board evaluates the size of the provision.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Donations to projects are recognised in the balance sheet as prepayments. Costs incurred on projects are offset against prepayments received.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Accounting policies

Deferred income

Deferred income comprises contributions received from the Founding Fathers relating to subsequent financial years.