



**HUMAN
PRACTICE**
FOUNDATION

Human Practice Foundation

Lyngebækgårds Alle 2A
2990 Nivå
Business Registration No. 36049081

Annual report 2017

The Annual General Meeting adopted the annual report on 8th of May 2018.

Chairman of the General Meeting

Name: Lars Förberg

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Entity details

Entity

FONDEN HUMAN PRACTICE FOUNDATION

Lyngbækgårds Alle 2

2990 Nivå

Central Business Registration No (CVR): 36049081

Registered in: Fredensborg

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Lars Förberg, Chairman

Rasmus Nørgaard

Jørgen Buhl Rasmussen

Pernille Kruse Madsen

Pernille Foss

Ole Andersen

Jens Vasehus

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 01.01.2017 - 31.12.2017.


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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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

Fredensborg, 08.05.2018

Executive Board



Pernille Kruse Madsen
CEO

Board of Directors



Lars Förberg
Chairman



Rasmus Nørgaard



Jørgen Buhl Rasmussen



Pernille Kruse Madsen



Pernille Foss



Ole Andersen



Jens Vasehus

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 01.01.2017 - 31.12.2017, 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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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, 08.05.2018

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

Financial result and expectations for 2018

The financial net profit for the year was TDKK 88 which management deems satisfactory. The Foundation expects a result of approx. TDKK 100 in 2018.

Our approach

Human Practice Foundation's approach is aimed at giving children the opportunity to create their own future, to be a part of developing their society and not being restrained by poverty and lack of opportunities. This is what we believe in and what defines our strategy and how we work every day to make sure we reach our goals.

The virtuous circle and local ownership

Our overall approach is founded in what we call 'The Virtuous Circle'. It is a comprehensive approach that aims at dealing with the most severe problems associated with poverty in Nepal and Kenya. An essential part of this is our closeness to the schools and local communities. To a large extent we can tailor each project to the specific needs at each school and based on the local community.

Our work is centred around the local community. We aim at creating sustainable development, where the schools and local communities do not need foreign help in the future. Therefore, their commitment and contribution towards our work and projects is essential and the local community must support and invest in the projects to create sustainable impact. Without this we will not engage in a project.

In 2017 we experienced increasing cooperation with the schools and local communities through our activities. The involvement and commitment from the local communities continued to grow, which has a positive effect on our projects and the development in the communities.

Management commentary

In 2017 we continued our work and made a huge effort together with our donors and partners. Throughout the year we completed the construction of 11 schools, initiated 15 additional constructions, made capacity developing projects at 16 schools (Kavli and WDF), and conducted an entrepreneurship programme at 5 schools. In addition, we initiated a coffee and a tea impact project. All this for the great benefit of 15,000 children.



Expanding to Kenya

In 2017 we chose to expand our work beyond Nepal to Kenya. We wanted to apply the approach we had developed in Nepal in other similar circumstances, and in Kenya many children are in desperate need of quality education and help to escape from poverty.

As in Nepal, we wanted to start our work in Kenya with a strong local partner to gain knowledge of the local conditions and communities. We partnered with the Kisima Foundation lead by Charlie Deyer. Charlie and the Kisima Foundation have experience with school constructions and development work in the rural parts of Kenya. They have a very close connection to the local communities and the schools, which played an important factor in our choice of partner. All the values of HPF and key principles in our project work are shared by Charlie and the Kisima Foundation. In 2017, we started our first 2 school constructions in Kenya, and we have more in the pipeline.

Management commentary

Two different countries, same problem

Even though there are great differences between Nepal and Kenya, the countries are facing similar problems and challenges. There is immense poverty in the rural parts of each country with an extreme lack of proper education.

Many children are not attending school, because it seems pointless to the families, which have no proper education and no future job prospects. Therefore, many children stay at home to help with farming and household duties. Furthermore, many children or young people are migrating or trafficked to find work and create an income in other countries but are often forced to work under inhumane conditions for little pay. This is a severe problem in both Nepal and Kenya and creates a vicious circle that is hampering the development of the local communities.

KENYA

- In Kenya, 38% of the population lives in absolute poverty, defined by the UN. 60% of Kenyans have no access to quality education and health service.

- The inequality is massive. Kenya is ranked as the fifth most unequal country in Africa.

- In Kenya, one million children are not attending school, which is the ninth highest of any country in the world.

- Over 25% of young people have less than a lower secondary education and one in ten do not complete primary school.

- 74% of the population live in rural Kenya, far away from the cities. More than 75% of Kenyans make some part of their living in agriculture.

- However, agricultural productivity has been stagnating in recent years, despite continuous population growth and climate change causing terrible weather conditions.

NEPAL

- Nepal is the second poorest country in Asia. 30% of the 28,5 million people in Nepal lives below the international poverty line.

- Nepal's adult (ages 15 and older) illiteracy rate is 40,38% (2011).

- In Nepal only 7 out of 10 enrolled in grade 1, reach grade 5. Furthermore, more than half drop out of school before reaching the lower secondary level.

- An estimated 2 million Nepalese have, out of need, migrated to foreign countries to take low paid/low skilled jobs.

- Migrant workers face abuse commonly associated with exploitation including forced labour and trafficking.

Management commentary



Founding Fathers and 100%-model

In Human Practice Foundation a group of Founding Fathers cover the administrative costs including the entire organization in Denmark. Their generous donations mean that 100% of donations go directly to the projects and creating actual impact benefiting the children and local communities we support.

The Founding Fathers

Covering the administrative expenses of Human Practice Foundation



Ole Andersen
Chairman, Danske Bank



Lars Fjörberg
Managing Partner, Cevian Capital



NREP, Esomus Nergaard
Partner, NREP



NREP, Mikkel Bølow-Lehnshy
Partner, NREP



Jørgen Buhl Rasmussen
Chairman, Novagras
Non Executive Director Positions



Tove Hoelstven
Farmer Teacher



Nils Foss
Founder of Foss



Pernille Foss
Board Member of Foss



Jan Lehrmann
Chairman and Partner, Normal A/S



Michael Specht Braun
Partner, Goldman Sachs



Morten Jensen
Partner, Bruun&Fjelle



Sofie Brandt Petersen
Owner, BRANE



Flemming Topsoe
Dr. Phil



Bjørn Ragde
Managing Director, Nordan
Director ays

Management commentary

Founding Companies

In addition to our Founding Fathers we also have a small group of Founding Companies supporting Human Practice Foundation. Gorrissen Federspiel, Deloitte and Forca have all assisted us within their respective fields in 2017, and we are very grateful for their contribution.



Gorrissen Federspiel

Deloitte.

forca

The elements of the virtuous circle

In Nepal and Kenya most school buildings are old, dark and timeworn, which creates a very displeasing environment for teaching. Some buildings were even damaged and unsafe for the students, but were still used for teaching, because no better facilities are available.

Therefore, the first step in our approach was constructing new, modern school buildings with comfortable and inviting classrooms. Without these new buildings it is impossible to create quality education and foster high-level teaching.

Capacity development at the schools

The next step in our approach was improving the facilities at the schools to ensure quality education. This was done by installing libraries, playgrounds, science labs, computer rooms and providing new school equipment. Along with the new classrooms this aimed to create the best possible environment for teaching and quality education. Our local project team worked closely with the schools to determine their specific needs and how to improve the facilities in the best possible way. We intended to make the libraries and playgrounds inspiring for students of all ages and interests. The science labs and computer rooms are aimed at the older students to give them the opportunity for specialising their education and gain essential practical knowledge in these areas.

After improving the physical facilities, we needed to ensure that the teachers had the skills to make the best use of them. Therefore, we conducted Teachers Training to educate them in using the new facilities, improved their academic skills and helped them with better teaching methods. Our Teachers Training focused on improving their academic level, giving them new tools and teaching methods involving the children more in activity-based teaching and accommodating different ways of learning.

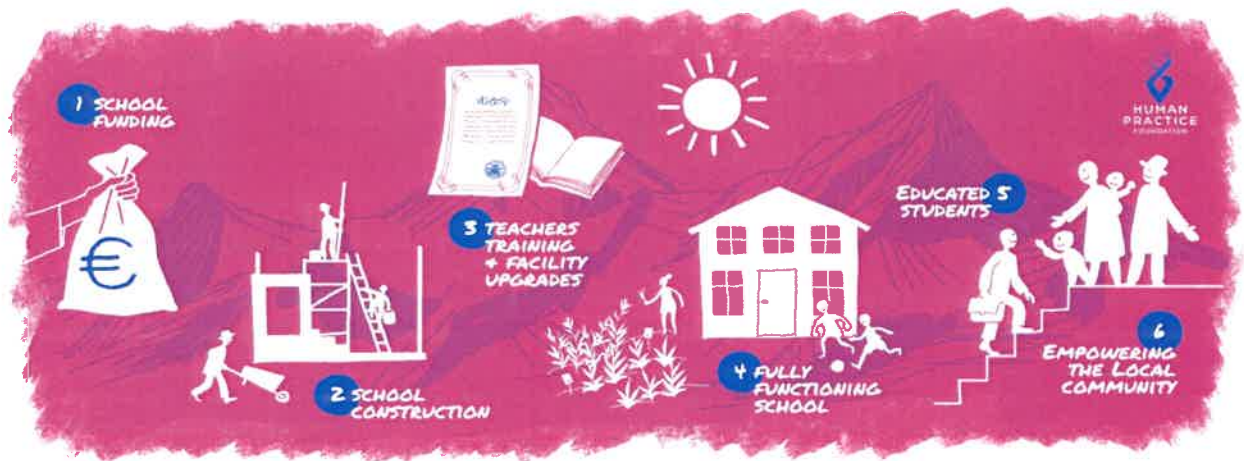
In 2017 we also started a larger project with Kavlifondet aimed at improving the educational facilities and teachers training at 17 schools in Taplejung. We have increased our emphasis on this part of our approach in 2017, and we are pleased that this approach was supported by donations and partnerships from strong foundations.

Management commentary

In 2017 we also started a project with the World Diabetes Foundation at 20 schools in Taplejung, as health is an important factor to secure a good future. The project is aimed at improving the knowledge of diabetes, disease prevention and general health at the 20 schools and their local communities. We have educated the health teachers and conducted cooking and health classes at the schools. We started organizing workshops and radio broadcasts to also teach and inform the local communities.

The Virtuous Circle

The elements of the virtuous circle step by step



Empowering the students and local communities

The last step in our approach is empowering the students and local communities. In 2017 we did so by conducting entrepreneurial activities and workshops at the schools for the upper classes of students and interested people from the local community. The program aimed at teaching them how to establish small businesses based on local conditions and resources. An essential part was to create economic growth and local jobs for the young people once their education ends.

The workshops were conducted by our local project team and start-up business experts. After the workshops, the participants formed project groups and worked on business project ideas. After some weeks, the experts returned and chose the best ideas to gain funding for the projects and incubator support. Our experts helped the projects from idea to business to make sure they had the best prerequisites for developing a successful business.

Management commentary



Example: A tailor cooperative started up with micro funding

One of the selected groups from the previous program was a tailor cooperative started by former students. In Taplejung most clothing is imported from Kathmandu, so the girls wanted to create a cooperative and a shop to make clothes from local materials and create jobs and economic growth. The program funded the project with 250,000 NPR, which supported their training and the start-up. The tailor cooperative is now earning 11,000 – 15,000 NPR a month and are thinking of expanding to more villages.

In 2018, we are planning to upscale and put an increased emphasis on this part of our approach.

Impact Projects

Throughout 2017 we continued to increase our involvement in a number of Impact Projects and started to see the positive results we are creating.

Our key achievement was initiating the foundation of a Nepalese NGO named Coffee Practice Foundation. HPF facilitated the fundraising and engaged a local partner, Lekali Coffee Estate, who will manage the implementation locally in Nepal. The 4-year project involves more than 500 local farmers in Taplejung, who are given the opportunity to convert their production into organic speciality coffee and thereby creating a sustainable income opportunity for the farmers and the region. The local farmers welcomed this opportunity and started the initial work of planting new coffee plants and received training from Lekali, which will give them the knowhow and competencies to make coffee farming successful on a larger scale.

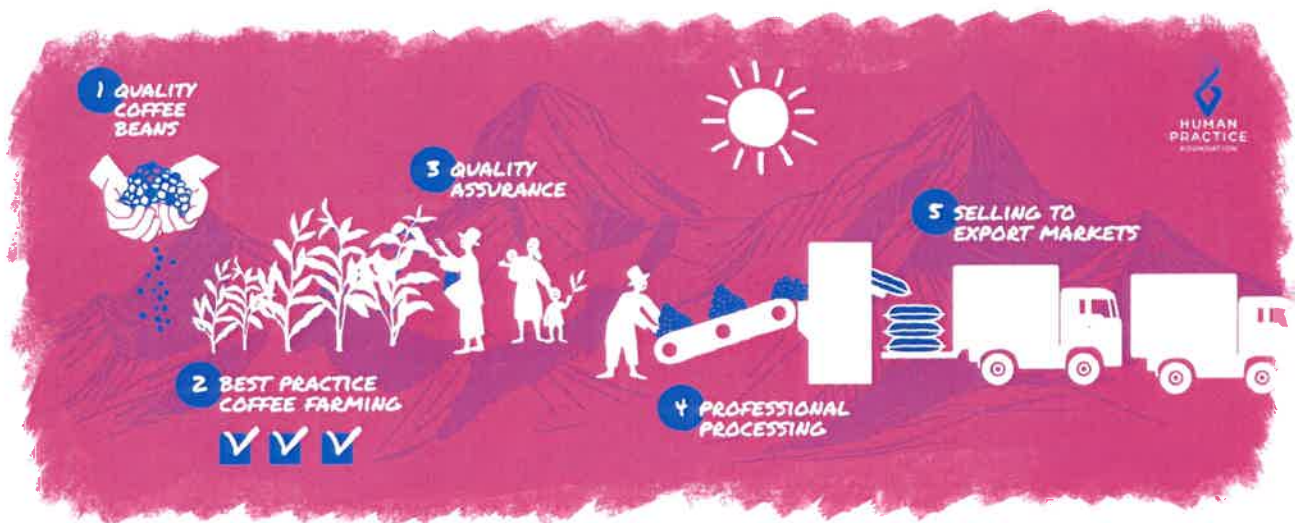
Other active projects include the Dar Cho Bracelet, where HPF approached a local partner, Yala Mandala, and together designed a unique limited-edition bracelet. The first bracelets were ready mid-year and the profits from selling the 1,000 pieces will finance building Sarada Secondary School in Taplejung consisting of 8 classrooms. This project was a successful way of showing alternative ways of crowdfunding school projects that are not paid for by individuals or single funds, to create more avenues of funding for HPF projects.

Management commentary

Another project was Human Empowerment Tea under which our Danish partner, A.C. Perchs Thehandel, will buy tea in Nepal and sell it under the Human Empowerment brand telling the story about the situation in Nepal, HPF and the possibility of supporting the local tea farmers. The profit will go to the Bhakanje Tea Cooperative currently developing a tea production facility and helping the local tea farmers in the Bhakanje area. Thereby the farmers can make a successful business of tea farming, which is far from their reality today.

Coffee Impact Project

The elements of the project step by step



Improving the organization

2017 has been the busiest year in the short history of Human Practice Foundation and this has led to changes in our organization. We are continuously striving to become more effective and create better results with our projects in Nepal and Kenya.

Registration as an INGO

During 2017 we registered an NGO in Nepal to increase the impact of our work. Whereas we previously partnered with different local NGO's for our project work, we signed a Memorandum of Understanding as an International Non-Governmental Organization (INGO) with the Nepali government for a closer partnership with the Nepali authorities and the project schools. As an INGO, we worked directly with the School Management Committees through our local project team. As a result, we gained a better understanding of the specific needs at each school and their community and were more hands-on in each project. We also worked with the local District Education Office to align our efforts with the approach from the government, making it more sustainable in the future.

Management commentary

Furthermore, this creates higher transparency for our donors and partners. We can track every dollar sent from Denmark to our projects and give our donors and partners a comprehensive insight into to our finances and project work, which we believe is very important for our donors and according to the values of HPF. The INGO registration strengthened our 100% model and made it possible for our donors and partners to get closer to the projects.






















New local project team

A big part of our organizational development in 2017 has been the creation of our local project team as part of our INGO registration. In 2017 we reached 20 employees in Nepal split between a field office in Taplejung and an office in Kathmandu. The office in Kathmandu is our Nepali administrative headquarters, where our Country Manager and Finance Officer are based. They are responsible for finances, reporting and dealing with matters with the Nepali government.

All our project staff members are based at the office in Taplejung close to our projects in the field. We have staff specialized in different aspects of our work, focusing on the construction, working with the local communities and the capacity development at the schools.

Our increased local presence in Nepal has created a better basis for creating sustainable development and better results for our projects, all benefitting the local communities in great need to develop.

The Nepal Team

| Management and Finance | Software |
|---|--|
|  Dhiren Singh Gurung Country Manager |  Shiva Lal Thapa Project Coordinator |
|  Sanjay Limbu Finance Officer |  Ajit Gurung Project Coordinator |
|  Rajesh Chandra Assistant Admin and Finance Officer |  Bishesh Thapa Assistant Software Coordinator |
|  Suzmita Gurung Office Assistant |  Nirvan Limbu Assistant Software Coordinator |
| |  Sushila Gurung Assistant Health Officer |
| |  Alina Meaden Office Helper |
| |  Bajikumar Hangshing Assistant Nutritional Cooking Officer |
| Hardware | |
|  Narayan Limbu Program Director |  Kaji Bahadur Tshering Project Manager |
|  Devram Limbu Project Supervisor |  Suresh Limbu Project Supervisor |
|  Dhiren Limbu Project Supervisor |  Suresh Limbu Project Supervisor |
|  Suresh Limbu Project Supervisor |  Pujan Gurung Social Mobilizer |
|  Rita Meaden Social Mobilizer |  Suresh Shrestha Social Mobilizer |

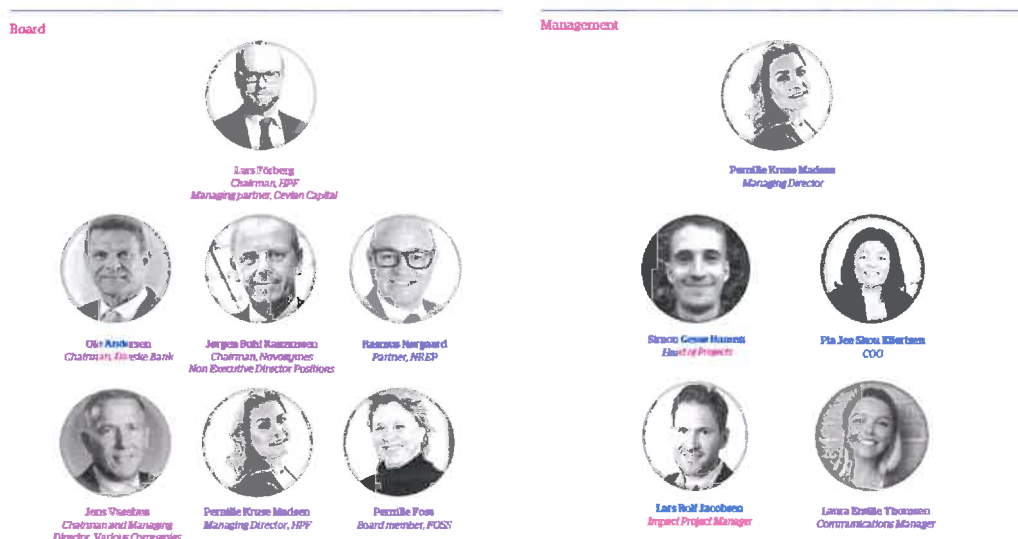
Management commentary

Danish team

As the organization developed so did our Danish team. In 2017 Human Practice Foundation had 5 regular employees; A CEO, a COO, a Head of Projects, an Impact Project Manager and a Communications Manager. Our team is small but highly motivated and hard-working always focusing on creating results with a big impact in Nepal and Kenya.

The Human Practice Foundation board consisted of highly experienced business people and entrepreneurs who contributed immensely to the foundations work without remuneration. The board of 2017 was the same as in 2016, when they were elected for a 2-year period.

The Danish Team



Social Impact Measurement

In Human Practice Foundation we are determined to measure the social impact and development created by our work and projects. We believe that it is very important to monitor and measure the impact to ensure that we are creating the positive outcomes we believe our projects should create.

Therefore, we have set up three parameters that we are measuring at the schools to determine whether the quality of the education is improving: Number of students enrolled, attendance rates and marks. In 2017, we made the first impact measurements at 9 schools at which our projects have been completed. Overall, the schools showed improvement on all 3 parameters of approximately 10%. Considering the projects just finished and that the real change towards quality education takes many years of continued work at the schools, we are pleased with the great overall improvement we can see already.

Management commentary

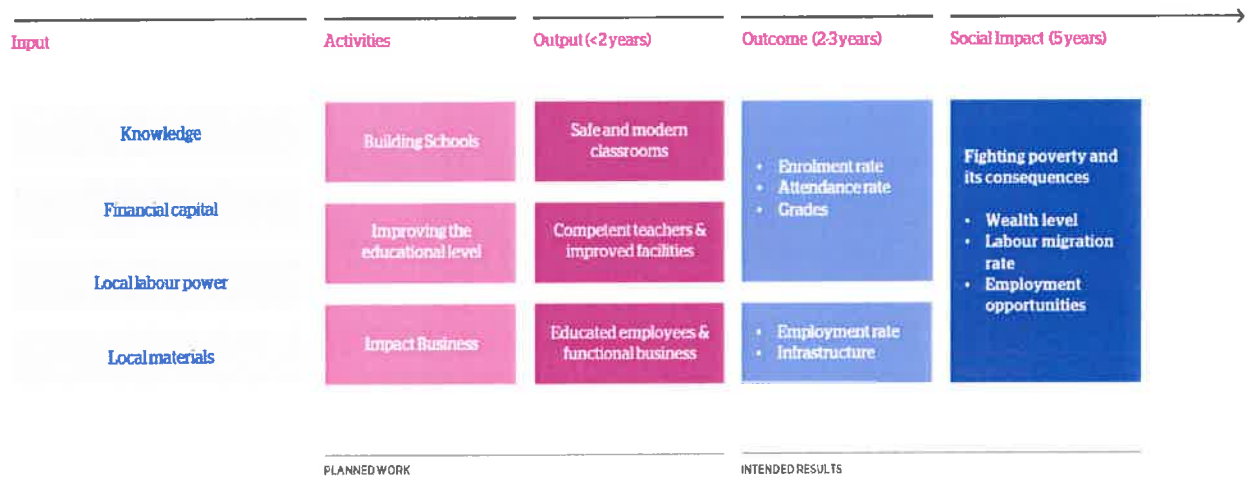
Expanding our measurements with Deloitte

As a part of developing our organization and always striving to do better, we extended our collaboration with the Danish consultancy firm, Deloitte in 2017, to expand our social impact measurements.

Instead of only measuring at the schools, we wanted to measure the social impact on a broader scale in the local communities and district-wise. Our main focus is improving education and empowering the local communities, with the long-term end goal of eradicating poverty and creating development in the poor regions of Nepal and Kenya. Therefore, we partnered with Deloitte to create a project for improving our social impact measurement, both in the short and in the long term. Together we developed a theory of change, based on our work and how we believe this will affect the local communities and districts.

Our theory of change is created to measure effects and impacts on a more general level, which is the overall aim with our projects. With this new approach to social impact measurement we will be able to measure how many people are still trafficked or migrating away from the districts, the general wellbeing, health, economic growth and the general development of local communities and districts. This is an essential development for us, to show that our focus on improving the educational standard is also providing a positive development in the lives of the local communities.

We look forward to presenting some of the expanded measurements in 2018.



Management commentary



HPF and the sustainable development goals

Our strategy and approach are contributing to UN's sustainable development goals and the overall aim to eradicate poverty all over the world, put forward by UN. Our main focus is on the 4th goal which aims to give quality education to all. Though we believe that education is key in creating development and fighting poverty, we are also contributing towards other goals, which we believe is essential for a better life and sustainable development.

In 2017 we have been providing the schools we have built with new toilets and better sanitation. We have also constructed new kitchens and held local workshops with focus on health and disease prevention. Furthermore, we have invested in local businesses and conducted entrepreneurial programs to foster startups of small businesses for job creation and economic growth in the local communities and district-wise. All these activities are aimed towards the main goal of eradicating poverty.

The new development strategy from the UN emphasizes a focused effort on the youth of developing countries. This is the strong belief that HPF bases its work on, and therefore our strategy is aligned with the sustainable development goals. We cannot do it alone; it takes governments, NGO's, private companies, foundations and local communities.

Visiting Nepal and Kenya

In 2017 many of our donors and partners travelled to Kenya or Nepal to visit the projects they are supporting and to see the general work of Human Practice Foundation. It is very important for us that our donors and partners have the possibility of being close to our projects and the local communities we work in. This creates a strong bond all the way from the projects, through HPF and to our donors and partners. We believe this bond is very important for creating the best results of our work. It takes all of us to create sustainable development in Nepal and Kenya.

One of our Founding Companies, the law firm Gorrissen Federspiel, sent their partner Søren Stæhr to Nepal to visit the project they are supporting and to work with our local project team for 1 month. Søren's efforts and experience underline why we think this bond and closeness is so important. Søren says:

Management commentary

"It is difficult to exaggerate the feeling that slightly more organized conditions, improved physical settings, new inspiration in teaching, etc. can lift these wonderful little people immensely. I am essentially impressed with the enthusiasm and professionalism, even in these very remote regions of a poor country like Nepal. There was little selfishness and focus on own needs – which was a pleasure.

It was one of my greatest life experiences. The country, the people, the culture and the atmosphere were a staggering experience, but to witness the HPF team from the inside, including their professionalism, common understanding of values, level of commitment, etc., coupled up with the experiences from the schools in the mountains will always stand out for me as something very, very special." Management commentary



Gorrissen Federspiel partner, Søren Stæhr, in Nepal

HPF Events

In 2017 we organized two large events for HPF donors, partners and stakeholders; one in Copenhagen, Denmark and one in Zürich, Switzerland. Both events were organized to acquaint people with our work and projects and in gratitude to all the donors and partners who have been and are supporting us. We have experienced great interest in our events and in Zürich the former Swedish Prime minister, Fredrik Reinfeldt, participated as a keynote speaker.

Both events resulted in many new donors and partners who are supporting us now and, in the future, and was very successful.

Management commentary



Chairman Lars Förberg, managing partner in Cevian Capital at our event in Zürich

More donations and more partners

As 2017 was our busiest year it was also the year in which Human Practice Foundation received the highest donations ever. As the organization developed and our project scope expanded we also experienced an increased interest in donating to support our work. In 2017, we raised more than 12,000,000 DKK which went directly to our projects, which is by far the most in any year of the short history of Human Practice Foundation.

In line with this we also experienced larger donations for bigger projects. In 2017, Kavlifondet donated 2,700,000 DKK and World Diabetes Foundation donated 1,000,000 DKK. Gudbjørg & Einar Honore's Fond made a donation of 500,000 DKK for our impact coffee project. Furthermore, we also experienced an increase in large private donations to fund full construction projects at our schools.

By the end of 2017 we had raised 21,582,786 DKK for our projects and completed 18 school construction projects in total to the benefit of 15.000 children.

Management commentary



New partnerships

2017 also presented some new partnerships that we are very pleased about. We have entered into a partnership with Zenegy, which is an application for employee salary payments. This partnership allows the users to quickly donate an amount of their salary to Human Practice Foundation.

We have also started a partnership with the Danish sustainable energy company Forskel. Forskel's customers as well as the company themselves are donating a small part of the monthly bill to a charitable cause of the customer's choice.

Thank you for the support

All the partnerships we have are vital for our work and for creating all the positive results for the children, families, and local communities. Without the support of our partners, donors and stakeholders we would not be able to create a better and more sustainable future for the poor people in Nepal and Kenya. A heartfelt thanks to all our partners for being part of this journey!

Statutory report on foundation governance

The Management Board of the fund

The board members of the Fund 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 fund.

Management commentary

The members of the Board of Directors are as follows:

Lars Förberg, Chairman

Male, 52 years old.

Joined the Board on September 7, 2016 for a two-year term of office.

The member is considered independent.

Other management positions: Managing Partner, Cevian Capital. Board member, ABB Ltd.

Ole Andersen, board member

Male, 61 years old.

Joined the Board on September 7, 2016 for a two-year term of office.

The member is considered independent.

Other management positions: Chairman of Danske Bank, Bang & Olufsen A/S and Chr. Hansen Holding A/ S. Member of the Nomination Committee for NASDAQ Nordic Ltd. as well as a member of the Committee for Corporate Governance and the Board of DenmarkBridge.

Jørgen Buhl Rasmussen, board member

Male, 62 years old.

Joined til Board on September 7, 2016 for a two-year term of office.

The member is considered independent.

Other management positions: Chairman of Novozymes A / S and F. Uhrenholdt A / S. Board member, Smurfit Kappa Group plc. Member of Axcels Advisory Board. Adjunct professor at CBS.

Rasmus Nørgaard, board member

Male, 46 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: Chairman of NREP A / S and participates in the management of many companies related to NREP A / S.

Jens Vasehus, board member

Male, 64 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: Board member, Shiva ApS, Chofava A / S, SECA Honduras and XOCO Belize. Board Chairman of Kraftvaerk Group A / S, PlayCo, Guldborg Playgrounds ApS, Bos A / S, Costpartner A / S and EC Play A / S. Deputy Chairman of the Board, SPLand AB. Partner, Executive Capital IS. Part of the management of Danica Jutland ApS, Danica Resources ApS, Camp Jeni ApS, JV Futura ApS, Danica Group Holding 1 ApS, Danica Group Holding 2 ApS and Chofava ApS.

Pernille Foss, board member

Female, 64 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.

Pernille Kruse Madsen, board member

Female, 38 years old. Joined the Board of Directors at the foundation July 10, 2014 as a born member.

The member is not considered to be independent.

Other management positions: Board member, 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 2017

| | <u>Notes</u> | <u>2017</u> <u>DKK</u> | <u>2016</u> <u>DKK</u> |
|--|--------------|---------------------------|---------------------------|
| Revenue | 1 | 2,822,236 | 2,148,000 |
| Other external expenses | | <u>(2,492,836)</u> | <u>(1,844,036)</u> |
| Gross profit/loss | | 329,400 | 303,964 |
| Staff costs | 2 | <u>(294,641)</u> | <u>0</u> |
| Operating profit/loss | | 34,759 | 303,964 |
| Income from investments in group enterprises | | 87,588 | 75,659 |
| Other financial income | | 0 | 11,445 |
| Other financial expenses | | <u>(4,360)</u> | <u>(215)</u> |
| Profit/loss before tax | | 117,987 | 390,853 |
| Tax on profit/loss for the year | | <u>(30,399)</u> | <u>0</u> |
| Profit/loss for the year | | <u>87,588</u> | <u>390,853</u> |
| Proposed distribution of profit/loss | | | |
| Provision for distributions | | 87,588 | 75,806 |
| Extraordinary distributions made in the financial year | | <u>0</u> | <u>315,047</u> |
| | | <u>87,588</u> | <u>390,853</u> |

Balance sheet at 31.12.2017

| | <u>Notes</u> | <u>2017 DKK</u> | <u>2016 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 | | 881,863 | 100,517 |
| Prepayments | | 8,707 | 0 |
| Receivables | | 890,570 | 100,517 |
| Cash | 4 | 8,056,562 | 4,582,327 |
| Current assets | | 8,947,132 | 4,682,844 |
| Assets | | 8,997,132 | 4,732,844 |

Balance sheet at 31.12.2017

| | <u>Notes</u> | <u>2017</u> <u>DKK</u> | <u>2016</u> <u>DKK</u> |
|--|--------------|---------------------------|---------------------------|
| Contributed capital | | 300,000 | 300,000 |
| Provision for distributions | | 87,588 | 75,806 |
| Equity | | 387,588 | 375,806 |
| | | | |
| Prepayments received from customers | 5 | 6,810,953 | 2,813,288 |
| Payables to group enterprises | | 182,342 | 0 |
| Income tax payable | | 30,399 | 0 |
| Other payables | | 41,100 | 191,750 |
| Deferred income | | 1,544,750 | 1,352,000 |
| Current liabilities other than provisions | | 8,609,544 | 4,357,038 |
| | | | |
| Liabilities other than provisions | | 8,609,544 | 4,357,038 |
| | | | |
| Equity and liabilities | | 8,997,132 | 4,732,844 |
| | | | |
| Related parties of commercial foundations | 6 | | |

Statement of changes in equity for 2017

| | Contributed capital DKK | Provision for distributions DKK | Total DKK |
|---------------------------|--|--|----------------------|
| Equity beginning of year | 300,000 | 75,806 | 375,806 |
| Ordinary distributions | 0 | (75,806) | (75,806) |
| Profit/loss for the year | 0 | 87,588 | 87,588 |
| Equity end of year | 300,000 | 87,588 | 387,588 |

Notes

1. Revenue

| | 2017 | 2016 |
|-------------------------------|------------------|------------------|
| | DKK | DKK |
| Revenue from Founding Fathers | 2,221,702 | 2,148,000 |
| Revenue from projects | 600,534 | 0 |
| Total revenue | 2,822,236 | 2,148,000 |

| | 2017 | 2016 |
|--|------------------|------------------|
| | DKK | DKK |
| Administration fee to HPF Driftsselskab ApS | 2,217,342 | 1,842,076 |
| Financial items and fees | 4,360 | (9,623) |
| Extraordinary grants | | 315,547 |
| Danish activities funded by Founding Father contributions | 2,221,702 | 2,148,000 |

| | | |
|--|----------------|----------|
| Other external expenses, INGO | 275,494 | 0 |
| Staff Cost, INGO | 294,641 | 0 |
| Tax on profit, INGO | 30,399 | 0 |
| INGO activities funded by project contributions | 600,534 | 0 |

| | 2017 | 2016 |
|---|-------------|-------------|
| 2. Staff costs | | |
| Number of employees at balance sheet date | 18 | 0 |
| Average number of employees | 9 | 0 |

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 | 166,932 | 105,457 |

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.

| | 2017 | 2016 |
|--|------------------|------------------|
| | DKK | DKK |
| Donations received at beginning of the year | 2,813,288 | 2,727,320 |
| Donations received during the year | 8,548,682 | 5,301,718 |
| Foundation distributions granted during the year | 75,806 | 597,100 |
| Transferred directly to projects from Denmark | (2,443,875) | (5,504,691) |
| INGO resources allocated to projects | (600,534) | 0 |
| INGO funds transferred directly to projects | (1,491,193) | 0 |
| Currency exchange adjustments and interest on project accounts | (91,221) | (308,159) |
| Donations received at the end of the year | 6,810,953 | 2,813,288 |

6. Related parties of commercial foundations

Related party transactions comprise:

- Purchase of services from subsidiary of DKK 2,217 thousand (2016: DKK 1,842 thousand)
- Dividend from subsidiary of DKK 88 thousand (2016: DKK 76 thousand)
- Founding Father contribution from board members of DKK 1,150 thousand (2016: DKK 1,425 thousand)
- Project donations from board members etc of DKK 674 thousand (2016: DKK 680 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 528 thousand (2016: DKK 480 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.

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 income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises.

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.