



HUMAN  
PRACTICE  
FOUNDATION



## Human Practice Foundation

Brolæggestræde 2, st. th.  
1211 København K  
Business Registration No. 36049081

**Annual report 2019**

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## Entity details

### Entity

FONDEN HUMAN PRACTICE FOUNDATION

Brolæggerstræde 2, st. th.

1211 København K

Central Business Registration No (CVR): 36049081

Registered in: København

Financial year: 01.01.2019 - 31.12.2019

### 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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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

Nivå, 07.05.2020

### 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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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, 07.05.2020

### **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

2019 was an exciting year for Human Practice Foundation as we increased the number of projects in Nepal, Kenya and initiated our first project in Denmark whereas our Human Practice community expanded, and fundraising included new countries and donors in Europe.



Human Practice Foundation has implemented projects at 62 schools impacting 27.000 children since 2014

In the beginning of 2019, we received our largest donation since the start of our foundation. After four successful programs of improving facilities at HPF-supported schools, the Kavli Trust decided to support our Education Program with a donation of 850.000 USD. The Impact Education Program completes our

Full School Approach, where we construct new buildings, install educational facilities and ensure quality education by training teachers and supporting the students. With this approach we transform some of the worst government schools to quality schools in all aspects.

Our presence in the Taplejung district in Nepal is now strong and includes not only schools but also health and coffee projects.



## Management commentary

In Kenya, we experienced great progress as well. We have now improved the educational facilities at 9 schools and initiated our teacher training program.

The total commitments from donors in 2019 reached 21.401.473 DKK, of which 10.867.277 DKK were received during the year. This brings total funds raised since the establishment of the foundation to 63.696.002 DKK.

2019 was also the year where Human Practice Foundation expanded its community and fundraising activities by establishing Human Practice chapters in London and Zürich. In Zurich and London, we have registered local independent entities, Human Practice Foundation UK and HPF Zurich Association. These HPF chapters are building a network of supporters and fundraising for HPF's projects managed by HPF Denmark.



In the following commentary we include more highlights on our projects and activities in 2019.

### Nepal



In 2017 Human Practice Foundation signed its first Project Agreement (PA1) with the Social Welfare Council of the Nepali Government. This project framework had a project scope of 22 new schools including new educational software and training the teachers in using the new facilities. In 2019 we completed all the activities related to PA1 with the budget of 1.750.000 USD.

During the implementation of all the PA1 activities, we worked closely with the schools, local authorities and the Nepali Government. This allowed us to build strong ties and partnerships with the Nepali educational authorities and Ministry – locally and nationally. Upon completion of PA1 we signed new Project Agreement (PA2) in September 2019 with the full support from the Nepali Ministry of Education, totaling activities for 4.800.000 USD over 3 years.

PA2 further expands on the scope from the one of PA1 and will include 37 additional schools, bringing the total number of Human Practice schools in the Taplejung district to 59 and adding 9 schools in a new district - Dhankuta. We have chosen to further expand our work in Taplejung in order to have a large impact on a full district. Our activities in Taplejung now cover 80% of the secondary schools in the district.



HPF works at 80% of secondary schools in the Taplejung District

## Management commentary

Additionally, we focused in 2019 on creating quality education and completing what we call our Full School Approach, which has been the main goal of our Impact Education Program.

We have implemented activities based on five main themes:

1. We are training the teachers to improve their academic level and teaching methods to accommodate the differences in the students and how they learn. Special emphasis was on improving their English.
2. We are strengthening the capabilities of the school management in financial training, management skills and creating of a conducive educational environment.
3. We have initiated student support activities such as child clubs and exam preparation workshops.
4. We have formed Parent and Teacher associations at all schools and trained them in how to get engaged and contribute to the success of the schools.
5. We are training students and locals in social entrepreneurship in order to create jobs and build a bridge between our schools and local communities after graduation.

The above program is being implemented by our local HPF education team consisting of Nepali educational and English experts. They are paired up in clusters and follow the progress of the schools in they are engaged with closely.



In 2019 we completed our health program supported by the World Diabetes Foundation. The program focused on raising awareness of diabetes and other non-communicable diseases as well as prevention through behavioral changes and healthy living accounting for the local circumstances at 20 schools and their communities. The

activities included installing vegetable gardens, training the teachers of the schools, conducting cooking classes and diabetes workshops for parents and students. The completion survey conducted showed encouraging results including behavioral changes as a consequence of these activities. Based on the success of this program we have entered an agreement with the World Diabetes Foundation on a new extension of the program with a budget of 220.000 USD reaching 53 schools.

## Management commentary

The new program will take an innovative approach to health. It will focus on both physical and mental health as well as financial health as evidence suggest these three aspects are influencing each other. This is something that is often disregarded in rural Nepal, and we wish to emphasize this aspect to help people achieve healthy lives – mentally and physically.

### Impact Projects

In 2019 we fully implemented the first phase of Coffee Impact Program in Taplejung, supported by Flemming Topsøe and Honore's Fond. This program is focused on training the local farmers in farming quality coffee beans that can be processed into specialty coffee and sold for profit. The farmers will be paid a good price for the beans and half of the profit will be reinvested in the local communities. This will create a much-needed jobs and income locally. We have partnered with Lekali Coffee, which is responsible for the coffee expertise and training, while our local team coordinates the implementation of the program.



In phase 1 we trained 700 local Taplejung farmers in all the different aspects of creating quality beans, planting seedlings and taking care of them. Additionally, we established 5 coffee nurseries in optimal locations for growing quality seedlings.

In 2020 we will expand the program to phase 2, supported by the same donors, training more farmers and establishing additional nurseries, with a total budget of 100.000 USD. Furthermore, we will expand the program to involve Coffee Entrepreneurship activities. The idea is to transform Taplejung into a Quality Coffee District, where quality coffee is farmed, processed, sold and exported.



In 1 year, the Full School Approach has increased the enrolment rate by 14% at 34 schools

2019 also saw the completion of our Tea Impact Project in Bhakanje, Nepal with A.C. Perchs Thehandel and Hippron Nepal. Back in October, we had the pleasure of traveling to Bhakanje with A.C. Perchs Thehandel and open the new factory. It's believed to be the highest altitude tea production in the world. The factory will now help the local farmers processing their tea leaves that will be sold by A.C. Perchs Thehandel. You can now buy Human Empowerment Tea in their stores around the world and online. The entire profit will be reinvested in the local tea production creating a sustainable project with great local impact.

## Management commentary



### Kenya

In 2019 we took the next step of replicating the Full School Approach with our local partners Kisima Foundation and Lewa Education Team by initiating teacher training at the Human Practice schools.

From August till the end of the year Lewa conducted teacher trainings at the 8 schools. We trained the teachers in the new competency-based curriculum that was implemented in Kenya as most teachers were lacking the knowledge and skills to implement it properly. Furthermore, we trained them in language panels to improve their teaching in English and Kiswahili. As part of the training, we conducted Life Skills workshops for older students at the schools. Life skills are psychological and interpersonal abilities that assist an individual making informed decisions and develop coping and self-management skills to lead a healthy and productive lives. Furthermore, the students were on excursions to local conservancy to learn about nature and how to live in synergy with it.

In 2020 we will focus on expanding our activities to more schools in the same area in Kenya. We will keep working with teachers training and improving education at the schools as well as establishing our own HPF team on the ground.

## Management commentary

### Denmark

In 2019 we initiated the first pilot project of project Inner Strength together with our partner Foreningen for Børns Livskundskab. The pilot project was a 3-month course run at Humlebæk Skole in Fredensborg Municipality in Denmark. The goal of the project was to help children at the school who were feeling like outsiders, struggling socially and with low confidence. In Project Inner Strength the approach is to work with these children and the support system around them, meaning the schools, teachers, classmates, and parents.



Besides training the teachers to help these children, we conducted a camp at Svanninge Bjerger for the 20 children participating in the course. At this camp, we trained their self-confidence, ability to concentrate and work together and their social relations. The feedback from both parents, teachers, and children has been great and we will continue the project at the schools in 2020.

In 2020 we are looking to expand the project in Århus Municipality with the support of Salling Fondene. We are now talking with the municipality and various schools, to find the right fit for schools willing to commit and implement the concept.

### Organization

2019 has also brought changes in the organization of Human Practice Foundation. In February, we hired Shiva Rayamajhi to be our new Country Manager in Nepal. Shiva has many years' experience in similar roles in the development sector.

As we initiated our Impact Education Program, we hired a 15-person Education Team in Taplejung to implement the program. The team consists of education specialists, with complementary expertise in teacher training, IT and English. They are working in clusters of schools locally in coordination with the Rural Municipalities as well as the Social Entrepreneurship and Coffee programs.

In 2020 we will establish our own team and hire Patriciah Muigai as our Kenyan Country Manager to spearhead this process and our local HPF team in Kenya.

### Impact Measurement and Sustainability

In 2019 we increased the focus on two underlying aspects of our work – impact measurement and sustainability.



## Management commentary



In 1 year, the Full School Approach has increased the number of students graduating by 18% and decreased dropout by 15%

As part of our work with Impact Measurement, we partnered with consultancy company Deloitte. Together with Deloitte, we created a detailed methodology for measuring the impact of Human Practice Foundation both at the level of schools and local communities and districts. We have created an outcome orientated framework taking all

the different aspects of our work into consideration defining the specific measurements and data requirements. Additionally, we have hired a 2-person team in Taplejung to work full time on data collection and processing. We are confident that these new actions will ensure our impact measurement to have high reliability and validity. Moving forward we will create an annual Impact Report each year.

As some of our projects have been in place for years, the sustainability of these projects becomes very relevant. For Human Practice Foundation it's important that the schools, authorities and local community will be able to continue the projects and activities established by HPF. In 2019 we worked with the Rural Municipalities on enhancing activities aimed at sustainability. We met with Rural Municipalities in Taplejung and reached agreements with them to set aside parts of their budget for maintaining the new facilities at the schools.

Additionally, we trained the school management on maintaining facilities and established maintenance and sustainability committees. Our staff will visit all schools once a year to conduct an annual maintenance survey for each school. These reports will be summarized in a cluster report. This report will be discussed with each Rural Municipality for further enhancements.

In 2020 we will roll out this approach at all HPF-schools in Taplejung.

### **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:

## Management commentary



[Lars Förberg, Chairman](#)

Male, 54 years old.

Joined the board on 7 September 2016 and re-elected on 19 September 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, 63 years old.

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

The member is considered independent.

Other Management Positions: Chairman of Bang & Olufsen A/S.



[Rasmus Nørgaard, board member](#)

Male, 48 years old.

Joined the board on 10 July 2014, re-elected on 2 May 2017 for a two-year term and re-elected on 14 May 2019 for another 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.



[Pernille Foss, board member](#)

Female, 66 years old.

Joined the board on 10 July 2014, re-elected on 2 May 2017 for a two-year term and re-elected on 14 May 2019 for another 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, 39 years old.

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

The member is considered independent.

Other Management Positions: Board member at HRA Pharma, Northvolt, Navico, Noveltech, ReNew Power, Trackunit.



[Christina Grumstrup Sørensen, board member](#)

Female, 47 years old.

Joined the board on 19 September 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). Head of CAPEX procurement committee.



[Pernille Kruse Madsen, board member](#)

Female, 40 years old.

Joined the Board of Directors at the foundation on 10 July 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, Board member at HPF Zurich Association.

# 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](http://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**.

### **The foundation explains**

Pernille Kruse Madsen, who 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**

## Management commentary

### *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**

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.

The foundation **complies**, as 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.

## Management commentary

**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.

### 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 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Revenue	1	4.989.268	4.103.877
Other external expenses		<u>(3.841.027)</u>	<u>(3.363.980)</u>
<b>Gross profit/loss</b>		<b>1.148.241</b>	<b>739.897</b>
Staff costs		<u>(1.148.241)</u>	<u>(732.724)</u>
<b>Operating profit/loss</b>		<b>0</b>	<b>7.173</b>
Income from investments in group enterprises		<u>140.943</u>	<u>105.457</u>
<b>Profit/loss before tax</b>		<b>140.943</b>	<b>112.630</b>
Tax on profit/loss for the year		<u>0</u>	<u>(7.173)</u>
<b>Profit/loss for the year</b>		<b>140.943</b>	<b>105.457</b>
<b>Proposed distribution of profit/loss</b>			
Provision for distributions		<u>140.943</u>	<u>105.457</u>
		<b>140.943</b>	<b>105.457</b>

## Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Investments in group enterprises		<u>50.000</u>	<u>50.000</u>
<b>Fixed asset investments</b>	2	<u><b>50.000</b></u>	<u><b>50.000</b></u>
<b>Fixed assets</b>		<u><b>50.000</b></u>	<u><b>50.000</b></u>
Other receivables		<u>1.050.268</u>	<u>32.798</u>
<b>Receivables</b>		<u><b>1.050.268</b></u>	<u><b>32.798</b></u>
<b>Cash</b>	3	<u><b>12.599.885</b></u>	<u><b>11.283.936</b></u>
<b>Current assets</b>		<u><b>13.650.153</b></u>	<u><b>11.316.734</b></u>
<b>Assets</b>		<u><b>13.700.153</b></u>	<u><b>11.366.734</b></u>

## Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital		300.000	300.000
Provision for distributions		140.943	105.457
<b>Equity</b>		<b><u>440.943</u></b>	<b><u>405.457</u></b>
Prepayments received from customers	4	10.550.537	9.103.332
Payables to group enterprises		465.833	368.989
Other payables		168.225	158.737
Deferred income		2.074.615	1.330.219
<b>Current liabilities other than provisions</b>		<b><u>13.259.210</u></b>	<b><u>10.961.277</u></b>
<b>Liabilities other than provisions</b>		<b><u>13.259.210</u></b>	<b><u>10.961.277</u></b>
<b>Equity and liabilities</b>		<b><u>13.700.153</u></b>	<b><u>11.366.734</u></b>
Related parties of commercial foundations	5		

## Statement of changes in equity for 2019

	<b>Contributed capital DKK</b>	<b>Provision for distributions DKK</b>	<b>Total DKK</b>
Equity beginning of year	300.000	105.457	405.457
Ordinary distributions	0	(105.457)	(105.457)
Profit/loss for the year	0	140.943	140.943
<b>Equity end of year</b>	<b>300.000</b>	<b>140.943</b>	<b>440.943</b>

## Notes

### 1. Revenue

	<b>2019</b>	<b>2018</b>
	<b>DKK</b>	<b>DKK</b>
Revenue from Founding Fathers	3.230.662	3.003.022
Revenue from projects	1.758.606	1.100.855
<b>Total revenue</b>	<b>4.989.268</b>	<b>4.103.877</b>
	<b>2019</b>	<b>2018</b>
	<b>DKK</b>	<b>DKK</b>
Administration fee to HPF Driftsselskab ApS	3.186.895	3.003.022
Establishment of HPF UK Charity	43.767	0
<b>Danish activities funded by Founding Father contributions</b>	<b>3.230.662</b>	<b>3.003.022</b>
Other external expenses, INGO	610.365	360.958
Staff Cost, INGO	1.148.241	732.724
Tax on profit, INGO	0	7.173
<b>INGO activities funded by project contributions</b>	<b>1.758.606</b>	<b>1.100.855</b>

	<b>2019</b>	<b>2018</b>
Staff Cost of DKK 1.148 thousand (2018: DKK 733 thousand) relate to staff cost in the INGO.		

### 2. Fixed asset investments

	<b>Registered in</b>	<b>Corpo- rate form</b>	<b>Equity inte- rest %</b>	<b>Equity DKK</b>	<b>Profit/loss DKK</b>
Investments in group enterprises comprise:					
HPF Driftsselskab ApS	Fredensborg	ApS	100,0	211.626	150.151

### 3. Cash

The item comprises prepayments received regarding projects of DKK 10.550 thousand, which the Foundation cannot dispose of for own purposes.



## Notes

### 4. 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.

	<b>2019</b>	<b>2018</b>
	<b>DKK</b>	<b>DKK</b>
Donations received at beginning of the year	9.103.332	6.810.953
Donations received during the year	10.761.820	9.084.516
Foundation distributions granted during the year	105.457	87.588
Transferred directly to projects from Denmark	(2.543.046)	(2.880.763)
INGO resources allocated to projects	(1.760.337)	(1.100.855)
INGO funds transferred directly to projects	(5.401.243)	(3.146.977)
Currency exchange adjustments and interest on project accounts	284.554	248.870
<b>Donations received at the end of the year</b>	<b>10.550.537</b>	<b>9.103.332</b>

### 5. Related parties of commercial foundations

Related party transactions comprise:

- Purchase of services from subsidiary of DKK 3.187 thousand (2018: DKK 3.3003 thousand)
- Dividend from subsidiary of DKK 141 thousand (2018: DKK 105 thousand)
- Founding Father contribution from board members of DKK 2.059 thousand (2018: DKK 2.058 thousand)
- Project donations from board members etc of DKK 265 thousand (2018: DKK 350 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 (2018: DKK 535 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 2019 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.

## 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.

### **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.

### **Deferred income**

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