

Foundation Policy Plan

Signify Foundation

2018

Introduction

The Signify Foundation is an independent, non-profit organization with a mission to enable sustainable access to light to people in communities that are underserved by electricity.

In a world where more than a billion people have no reliable access to power, more than half of those live in rural communities in developing economies. For these communities, the productive day ends at sunset.

The Signify Foundation is committed to ending this imbalance. In partnership with global and local agencies, we promote the use of clean technology-based lighting systems that address the entire spectrum of lighting needs of a community. By mapping the access to light value chain and identifying barriers in key activities like manufacturing, distribution, affordability and sustainability, we inform our strategy and choice of partners & projects.

Organization and governance

The Foundation aims to maximize use of its assets & resources to provide opportunity for

- engaging expert and general capacity
- efficiently using the donated financial and 'in-kind' resources
- and empower community self-reliance
- sustainability as key criteria in project considerations

The Foundation, its Board members, the Director and other members of the operations team acknowledge the Signify General Business Principles¹ (hereafter referred to as GBP), as its key code of conduct.

The Board of the Foundation has the final responsibility for the strategy, policies, performance and operation (including funds management) of the Foundation. The Board makes the final decisions on projects to be run as part of the Foundation's lighting lives, lighting entrepreneurs and humanitarian lighting programs, funding of activities and on partnerships.

The Board consists of a minimum of three and a maximum of seven members. The majority of Board members are independent from Signify. Board members are appointed to a maximum of 3 years. Reappointment of Board members is possible for up to a maximum of three terms (as described in further details in The Articles of Association of the Foundation).

The Foundation delegates the daily operations to the Foundation Director who reports and is accountable to the Board. This Foundation Director is supported by the operations team consisting of Signify employees who are lent to the Foundation by Signify. In addition, other Signify employees may support the Foundation on an ad-hoc or part-time or voluntary basis. Temporary FTE may be hired into the Foundation towards specific implementation of projects that may have received funding from agencies other than Signify.

¹ http://www.lighting.philips.com/b-dam/b2b-li/en_AA/investor/Philips%20Lighting%20GBP.pdf

The Board can appoint an Advisory Committee that advises the Board on strategic and operational issues and its activities. The Advisory Committee currently consists of Signify employees representing the various Markets and other business expertise.

Foundation resourcing

The framework agreement will govern the relationship between Foundation and its funders, including the following elements:

1. The Foundation will raise external funds from grant giving organizations and other entities towards specific programs that contribute to the achievement of its objectives.
2. Signify's contribution to the operational functioning of the Foundation, by lending out people on a structural and ad hoc basis, and making available office space and other facilities; The commitment of Signify to respect the independence of the employees lent out to the Foundation, vis-à-vis Signify and its business;
3. The Foundation will receive periodic monetary donations from Signify and other Funders.
4. The Foundation will receive "in kind" donation of products, systems and services from Signify and other Funders.
5. Use of Foundation funds will be under the sole guidance and discretion of the Foundation Board, towards stated objectives of the Foundation.

Project assessment

Funding criteria

The Foundation will contribute solely to projects that fit its three-pillar strategy.

Projects and funding proposals that will not be considered as eligible include:

- Individuals (all funds from the Foundation are directly given to one of our non-profit partners)
- Organizations that discriminate based on race, color, gender, religion, sexual orientation, national origin, age or disability
- Religious endeavors
- Political, legislative, lobbying or organizations
- Movie, film or television documentaries
- Concerts or other entertainment events
- Marketing sponsorships, cause marketing or advertising projects

Partner Selection

Partners are assessed and selected based on criteria including, but not limited to:

- Affinity with vision and mission, alignment with Foundation strategy
- Dedication, capacity and experience in local context
- Track record in execution of projects in energy, livelihoods & humanitarian settings

- General reputation
- Sustainability and scalability in the operational model
- Focus on innovation

Project Monitoring and Evaluation

All partners will be responsible for reporting to the Foundation on the progress of the joint project bi-annually. The partner organization will be responsible for tracking KPIs and reporting any issues in the set up and implementation of the project to the Foundation.

Market level contact persons will be assigned per project and will be responsible for reporting the results of back to the Foundation on an annual level, using a simplified version of the objectives and measures for the Foundation.

Currently, the Foundation tracks and reports program level outcomes against two high-level indicators: lives lit & entrepreneurs trained, to assess our program effectiveness. The Foundation's objective is to move towards reporting of social, environmental and socio-economic impact of the projects - mainly in terms of safety & security, job creation, income generation, gender equality, education & health in the long run.

Funds management

Once donations have been made by all Funders to the Foundation, the funds are under the direct management of the Board of the Foundation. The Board will aim to pre-determine in a calendar year the percentage of funds available for spend on programs, projects and overhead costs. Monies that are not spent are invested as described above and retained within the Foundation but with the restriction of the ANBI requirement that *"the Foundation cannot hold on to more capital than is needed for the continuation of the planned activities in line with the object of the Foundation"*.

The 90% test

The Foundation funds will be spent according to the rules governing the charity (ANBI) status. The main rule is that 90% of the total expenditures of the Foundation has to be made to serve the public benefit (i.e. and not serve a private interest). As long as the expenditures of the Foundation (on a project level) entirely serve the public interest, the 90%-test will usually be met. Note that it is irrelevant for the 90%-test what the total income is of the Foundation.

In case of grants, for example as part of the Foundation's disaster relief program, this is easy to measure. The total amount of the grant qualifies as 'public benefit expenditure'.

It is worth noting that based on the ANBI-regulation the management and administration expenses of an ANBI must be in reasonable proportion to the expenses incurred by the ANBI in the pursuit of its actual objectives. This proportion depends of the type of organization. Therefore, the actual proportion that is deemed reasonable will be determined on a case-by-case basis.

Payment of Foundation Board expenses

As the Foundation is exempted from making wage withholdings, it is important that it can at all times demonstrate that expenses of Board members are only reimbursed within the fiscal limits. This implies that expenses are claimed individually and are duly specified. This especially for more significant expense amounts like for air and car travel, lodging and dining.

The Foundation will follow the general expense policy of Signify with regards to expenses as summarized below:

- All flights for the purpose of the Foundation will be in Economy
- Business standard hotels
- Board members are eligible to gain loyalty points under the airline and accommodation bookings made on their behalf
- Reimbursement for personal meals and incidental personal expense
- Reimbursement of visa costs/vaccinations
- WIFI/broadband reimbursement
- A spouse or other individual may accompany a Board member while travelling and share accommodation, but their expenses will not be reimbursed
- Itemized receipts are necessary when submitting expenses

Financial reporting processes and auditing

Annual reporting

The key element of the financial reporting process is the set up and publication of an Annual Report for the Foundation, which needs to be published on the website of the Foundation on an annual basis. This is a brief document reporting on the activities and projects of the Foundation and showing a balance sheet of the accounts.

Auditing

The Board has decided that the 2017 annual report will not be audited by an external auditor and will instead be checked by a Signify 'kascontrolecommissie'.

Donation management, funding of partners

The following principles apply on a global and on a market level:

- For each donation (disaster relief) or partnership there is a signed agreement in place
- Budgets allocated for donations or partnerships are kept for the activities they are meant for and never "borrowed" for other activities
- The agreements have been checked by the operations team and legal counsel
- Parties receiving the donation or partners report on progress financially and on non-financial measures in a timely fashion
- For product donations, only quality, certified product should be used. Vendor should also be able to provide adequate warranty on all products supplied

Liquidation

If the Foundation is liquidated, then the funds of the Foundation cannot return to Signify. The balance needs to be accorded to another ANBI (or foreign charity) with a similar objective to the Foundation. The Articles of Association state that the Board of the Foundation is empowered to determine to which organization Foundation funds will be donated.