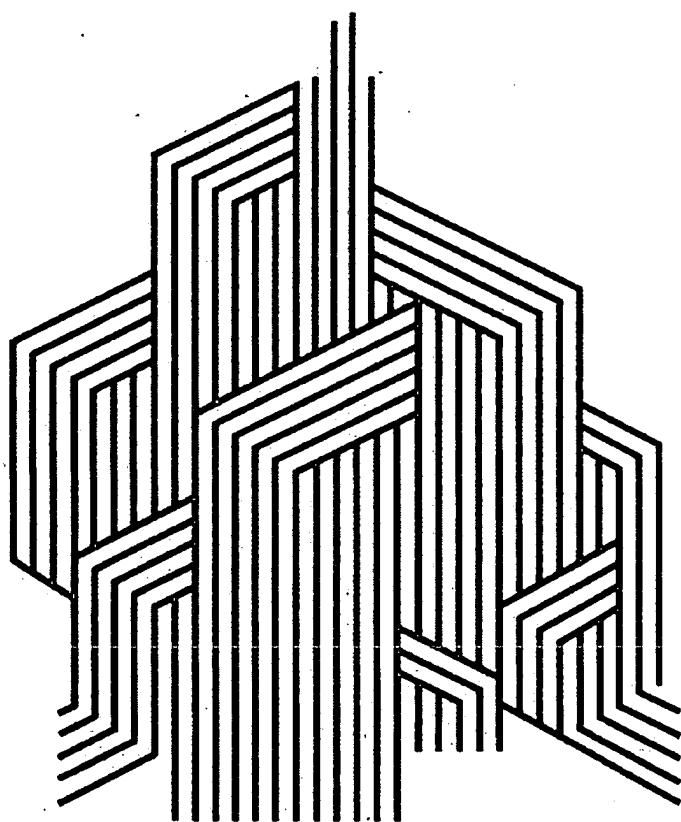


# **C40 Cities Climate Leadership UK**

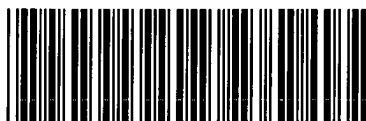
**(C40 Cities UK)**  
**(A company limited by guarantee)**

**Report and Financial Statements for the year ended 31 December 2018**

Charity number 1173124  
Company number 10401717



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# **C40 Cities Climate Leadership UK**

## **Report and Financial Statements For the year ended 31 December 2018**

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## **C40 Cities Climate Leadership UK**

### **Report and Financial Statements For the year ended 31 December 2018**

<b>Charity name</b>	C40 Cities Climate Leadership UK
<b>Principal and registered office</b>	3 Queen Victoria Street, London, EC4N 4TQ
<b>Charity number</b>	1173124
<b>Company number</b>	10401717

#### **Board of Directors**

The trustees who served during the period were:

Antha Williams (Chair)  
Anné Skövbro Anderson (until 20 August 2018)  
Pelle Lind Bournoville (from 12 November 2018)  
Simon Lloyd  
Jemima Read

<b>Company secretary</b>	Kevin Austin
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<b>Chief Executive</b>	Mark Watts
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<b>Auditor</b>	KPMG LLP, 15 Canada Square, London, E14 5GL
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<b>Solicitors</b>	Bates Wells Brathwaite, 10 Queen Street Place London, EC4R 1BE
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<b>Bankers</b>	NatWest Bank, 94 Moorgate, London, EC2M 6UR
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## **Report of the Directors for the year ended 31 December 2018**

The Trustees (who are the directors) of C40 Cities Climate Leadership UK ("C40 Cities UK"), are pleased to present their report and financial statements for the charity for the year ended 31 December 2018.

The accounts (financial statements) have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The charity is registered with the Charity Commission under registration number 10401717.

C40 Cities UK contributes towards the global strategy of its sole member, C40 Cities Climate Leadership Group Inc ("C40 Cities Inc"), therefore, throughout the Aims and Objectives and Achievement and Performance sections of this report, reference is made to the activities of C40 Cities Inc during this financial year.

## **Our Aims and Objectives**

### **Purposes and Aims**

The purposes and aims of C40 Cities UK, as set out in the objects contained in the company's Memorandum and Articles of Association, are:

The advancement of environmental protection and conservation of the natural environment, particularly by promoting the reduction of greenhouse gases (including carbon dioxide, methane and any other gases that may be identified from time to time as having a global warming potential);

- To promote sustainable development for the benefit of the public by the promotion of sustainable means of achieving economic growth and regeneration;
- To advance the education of the public in subjects relating to global warming, climate change, sustainable development and the protection, enhancement and rehabilitation of the environment and to promote study and research in such subjects provided that the useful results of such study are disseminated to the public at large; and
- Such other objects, as shall be exclusively charitable by the law of England and Wales as the Trustees shall decide

Sustainable development means "development which meets the needs of the present without compromising the ability of future generations to meet their own needs".

### **Public benefit**

The achievement of the above aims drives our business planning. The beneficiaries of the charity are all global citizens. The Achievements and Performance section below contains more information on how our work has contributed to the reduction of global greenhouse gas emissions over the last year.

The Trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit.

#### **Mission**

C40 Cities UK operates as part of the C40 Cities Network. The C40 Cities Network is headed by C40 Cities Inc (the sole member of C40 Cities UK).

The C40 Cities Network is a network of the world's megacities committed to addressing climate change. The aim of the C40 Cities Network is to support cities to collaborate effectively, share knowledge and drive meaningful, measurable and sustainable action on climate change. The C40 Cities Network connects 94 of the world's leading cities to take bold action to tackle climate change, leading the way towards a healthier and more sustainable future.

The Trustees of C40 Cities UK believe that operating as part of the C40 Cities Network and adopting the strategy set by C40 Cities Inc is the most effective way of maximising the charitable impact of C40 Cities UK. This approach allows C40 Cities UK to work in partnership with other organisations in the C40 Cities Network around the world and with other partner organisations in order to achieve its charitable objects (which are global in nature).

C40 Cities UK has therefore been working towards C40 Cities Inc's 2017 – 2020 Business Plan, which was approved by the Steering Committee and the Board of C40 Cities Inc in 2016. The C40 Cities Inc Business Plan sets out a collaborative strategy for advancement of the common mission of organisations within the global C40 Cities Network. It sets out a bold agenda, with its central focus to enable each C40 Cities Network mayor to commit to a climate action plan for their city in line with what is needed to deliver the Paris Agreement on climate change.

The 2017 – 2020 Business Plan establishes the following five goals for each organisation in the C40 Cities Network:

Goal 1 - Engage mayoral leadership

Goal 2 - Support cities to prepare robust climate inventories, targets and plans

Goal 3 - Accelerate action through peer-to-peer exchange and direct support

Goal 4 - Remove barriers to city climate action

Goal 5 - Provide global thought leadership, agenda-setting communications and world class events

The C40 Cities Network's Participation Standards for membership require that, by 2020, all C40 cities will have published, be delivering, and can be measured against, robust climate change action plans consistent with keeping global temperature rise within 1.5 °C above the pre-industrial average.

#### **Achievements and Performance**

C40 Cities UK enjoyed its first full year of operation in 2018 (having commenced operations on 1 October 2017), during which it contributed to the implementation of the C40 Cities Network 2017-2020 Business Plan goals, in support of its charitable objects. C40 Cities Inc and C40 Cities UK worked in co-operation to maximise impact in advancing their compatible objects which are global in nature.

C40 Cities UK provided direct support to 96 cities of the C40 Cities Network, facilitated new commitments from cities to take additional action on climate change, supported 73 cities to deliver and implement Paris Agreement-compatible action plans by the end of 2020, launched an Air Quality project in London, facilitated a global competition to support cities with carbon neutral and resilient urban regeneration, and delivered multiple world class events throughout 2018.

The 94 (96 as at the end of 2018) cities of the C40 Cities Network are the ultimate beneficiaries of the charity's achievements. These 96 cities are the world's leading cities, representing over 700 million citizens and one quarter of the global economy. The mayors of these cities are committed to delivering on the most ambitious

goals of the Paris Agreement at the local level, as well as to cleaning the air we breathe. Ultimately, the charity's efforts will contribute towards a more liveable and sustainable future for all global citizens.

Throughout 2018, C40 Cities UK contributed towards the progress of C40 Cities Inc and the C40 Cities Network towards the five goals set out in the C40 Cities Network 2017 – 2020 Business Plan:

**Goal 1: Engage mayoral leadership – mayors are engaged and show leadership in the climate change agenda**

- 26 cities committed to creating Green & Healthy Streets by procuring zero emission buses from 2025 and making a significant area of the city zero emissions by 2030.
- 38 cities, major businesses, state and regional governments committed to cut emissions in buildings, delivering a reduction of over 200 megatons CO<sub>2</sub>e.
- 25 cities and regions committed to advance towards zero-waste, diverting 132 million tonnes of waste by 2030.
- C40 UK staff have supported on the project management, technical support and communication of these commitments.

**Goal 2: Support cities to prepare robust climate inventories, targets and plans consistent with 1.5 °C target**

- In 2018, C40 Cities Inc devoted additional resources to supporting cities in Latin America, South East Asia, and Africa to develop their climate action plans. The programme is supported by C40 Cities UK staff in project management and administrative roles.
  - 73 cities committed to tough climate targets to deliver and implement Paris compatible action plans by the end of 2020. Eight cities have published their action plans.
  - C40 Cities Inc launched the Climate Action Planning Resource Centre bringing together a wide range of tools and resources to help city climate planners in the process of delivering climate action consistent with the objectives of the Paris Agreement.

**Goal 3: Accelerate climate change actions and reduce costs through peer-to-peer exchange and direct support in the C40 Cities Network**

- Working across multiple sectors and issues, C40 Cities Inc convened peer-to-peer best-practice sharing networks which provided a range of services in support of cities' climate change efforts. C40 currently has 16 networks covering topics which are of the highest priority for C40 cities and have potential for the greatest climate impact in mitigation, adaptation and sustainability.
- C40 Cities Inc launched its first air quality monitoring programme called *Breathe London*. Supported by the Children's Investment Fund Foundation, C40 Cities UK collaborated with the Greater London Authority on a new sensor project to better understand Londoners' exposure to air pollution around the city.

**Goal 4: Remove barriers to action – key barriers to climate action are removed**

- The C40 Cities Finance Facility ("CFF"), work undertaken substantially by C40 Cities UK, continues to support cities to access financial resources. Following a rigorous and competitive process, C40 Cities UK selected nine cities to receive specialist financial advice and bespoke support from leading global experts over the next two years to develop sustainable infrastructure projects.
- C40 Cities Inc launched the Women4Climate Tech Challenge as a global competition designed to spark innovation and accelerate climate solutions from women in the tech community. The Tech Challenge was open to any woman carrying out an innovative tech solution focused on climate change and the program is designed to create new opportunities and draw out innovative and unique solutions by engaging the tech community. This programme was delivered by C40 Cities UK and is funded by L'Oréal and the Michelin Corporate Foundation.
- The Reinventing Cities competition engaged the private sector to propose innovative projects to drive carbon neutral and resilient urban regeneration on 39 selected sites in 15 cities. More than 230 expressions of interest were received from 1,200 companies and organisations. The C40 Cities Network

announced the finalists of 82 teams of architects, urban planners, developers, entrepreneurs, environmentalists, start-uppers and neighbourhood collectives, that will compete in the final round of the Reinventing Cities competition. This programme was funded by Climate-KIC Holding B.V. and C40 Cities UK, and was delivered by staff from both C40 Cities UK and C40 Cities Inc.

**Goal 5: Provide global thought leadership, agenda-setting communications and world-class events**

The C40 Cities UK team delivered various world class thought leadership events.

- Through funding primarily from L'Oréal, the C40 Cities UK staff delivered a high-level platform to engage C40 mayors at the 2nd C40 Women4Climate event hosted by Mexico City to highlight the critical role of women in creating a healthier, greener and more economically prosperous urban future.
- By engaging citizens, C40 Cities Inc hopes to support mayors to be more ambitious. In 2018:
  - 11,264 articles mentioning C40 were published, with 35% coverage within Europe.
  - In social media - 20 million Twitter impressions, 1.5 million Instagram impressions, 2.3 million Facebook impressions, and 1.7 million LinkedIn impressions were made.
- C40 Cities Inc launched the C40 Divest/Invest Forum, an informal network led by New York and London to support cities in undertaking divestment from fossil fuels and investing in sustainable, low carbon assets.
- C40 Cities Inc supported London Business Climate Leaders programme, an initiative to engage leading businesses in London and encourage them to take actions that can support London in delivering its plans to become a net zero carbon city by 2050.
- C40 Cities UK co-organised a panel at The Economist Sustainability Summit in London featuring the Mayor of Tshwane, the Deputy Mayor for Environment and Energy of London, the Deputy Director for Environment of Copenhagen, and C40's Executive Director Mark Watts, to discuss lessons learnt from delivering ambitious plans for tackling climate change.
- Organised by C40 Cities UK staff and in partnership with the Global Covenant of Mayors for Climate & Energy and the City of San Francisco, C40 kicked off the Global Climate Action Summit with the event - Cities4Climate: The Future is Us. Held at San Francisco City Hall, this agenda-setting event brought together mayors, business leaders, change makers and climate experts from around the world to highlight the innovative ways cities are cleaning the air we breathe and building more resilient and equitable communities.

**Fundraising**

The majority of C40 Cities UK's income was granted by C40 Cities Inc, but C40 Cities UK also successfully secured grants from four other funders in 2018 (with two grants secured in 2017 continuing in 2018). C40 Cities UK does not currently and has no future plans to use third party fundraising organisations, nor does it carry out telephone or direct mail fundraising.

C40 Cities Inc has a small global fundraising team focused on securing income to enable the C40 Cities Network globally to deliver its programmes for reducing climate change and its impacts.

**Key management personnel remuneration**

The C40 Cities UK Board approved a remuneration policy in 2017. The main objective of the remuneration policy is to attract, retain and reward talented staff and management by offering compensation that is competitive within the sector. The intention of this is to motivate management to achieve C40 Cities UK's strategic objectives and encourage high levels of performance. Depending on the company's performance and financial position, and the level of inflation, the Management Team will aim to offer, at their discretion, an annual cost of living increase to staff salaries. Staff who are within the boundaries of their grade and have demonstrated good performance over the year may also be paid an additional sum over and above inflation. The Board is responsible for approving the budget, of which salaries form part, on an annual basis. Any annual salary award is made to staff effective 1 January each year. The Executive Director works globally and is employed by C40 Cities UK. His remuneration is set by the Trustees of C40 UK in agreement with the Board of C40 Cities Inc.

C40 Cities UK approves all new compensation arrangements based on, to the extent reasonably available, information about compensation paid by similarly situated not-for-profit or charitable organisations, or organisations in comparable sectors for similar services, current compensation surveys compiled by independent firms, actual written offers from similarly situated organisations, and other relevant information.

Key management personnel are the Management Team listed on Page 10.

#### **Plans for Future Periods**

The delivery of the 2017-2020 Business Plan remains the priority of C40 Cities UK, in particular supporting cities to deliver Paris Agreement-compliant climate action plans whilst continuing best-practice sharing and direct support in key areas such as building energy efficiency. With the available budget, in 2019, C40 Cities UK will contribute to the delivery of the elements described below.

#### ***GOAL 1: Engage Mayoral Leadership***

In 2019, C40 Cities Inc and C40 Cities UK will continue to work with those mayors who wish to make an active and high-profile contribution in support of climate action. The work is carried out through the Executive Director and his team and by those members of the Communications and Events team who are based in London. C40 Cities UK will focus on the three Action Commitments that mayors declared in 2018: Green and healthy streets, Zero emission buildings, and Zero waste.

#### ***GOAL 2: Support cities to prepare robust climate inventories, targets and plans***

In 2019, C40 Cities UK is planning to support cities to develop inclusive climate action plans that are compatible with constraining global temperature rise below 1.5°C. The programme is supported by C40 Cities UK staff in project management and administrative roles. C40 Cities UK will also expand its Adaptation Masterclasses training programme on climate hazards, risk assessment and city resilience.

In 2018, C40 Cities UK received a grant from the AXA Group to deliver a project that will review city adaptation plans and their implementation for 10 cities. The selected cities will cover a wide range of economic and political contexts and will constitute a solid set of case studies with potential applications to other cities.

#### ***GOAL 3: Accelerating action through peer-to-peer exchange and ramping up direct support***

C40 Cities Inc and C40 Cities UK will continue to run 16 peer-to-peer sharing networks, with networks to deliver regular webinars, calls, and workshops with much of this work carried out by C40 Cities UK. The networks will focus on supporting cities to deliver the three C40 Action Commitments and priorities from the Deadline 2020 programme.

#### ***GOAL 4: Removing barriers to climate action***

The CFF work undertaken substantially by C40 Cities UK staff, will continue to address the lack of funding to implement climate actions. In 2019, the CFF will support cities on areas including cycling, energy, adaptation and electric buses.

C40 Cities Inc and C40 Cities UK will launch the C40 Cities Network's Knowledge Hub, delivering practical resources to city policymakers and practitioners seeking to understand climate change, avoid emissions, reduce climate risks, and better connect with peers.

Through the Women4Climate mentorship programme, C40 Cities Inc and C40 Cities UK will support greater climate leadership by female mayors and climate leaders.

#### ***GOAL 5: Delivering global thought leadership, agenda setting communications and world class events***

The central focus of the C40 Cities Network's global thought leadership programme will be the C40 Global Mayors Summit hosted by the City of Copenhagen. This event will be an opportunity for mayors, CEOs,

**C40 Cities Climate Leadership UK**  
**Charity Number 1173124**  
**Company Number 10401717**

philanthropists, campaigners, scientists, influencers and citizens to showcase and accelerate the most effective climate solutions being delivered in cities worldwide. This event will be undertaken substantially by C40 Cities UK staff.

C40 Cities Inc and C40 Cities UK convened the annual gathering of the Women4Climate conference in Paris in February 2019, which included keynotes from C40 mayors and various global female leaders. This event was funded between C40 Cities UK, C40 Cities Inc, L'Oréal and the Michelin Corporate Foundation.

## Financial Review

### Fund balance, income and expenditure

During 2018, C40 Cities UK's first full year of operation, income of £6.5m (2017: £1.9m) was received and expenditure of £6.1m (2017: £1.4m) was incurred. The net movement in funds in the year was £425k.

At 31 December 2018, the funds of the charity therefore stood at £935k, of which £533k were unrestricted and £402k were restricted.

### Reserves and Investment Policy

Unrestricted reserves are available to be applied, at the discretion of the Trustees, to any of C40 Cities UK's charitable purposes. Restricted reserves are to be applied to the specific project intended by the donor.

Trustees seek to retain a prudent level of reserves from unrestricted income.

Trustees base their reserves policy on the identified needs to:

- Ensure sufficient working capital for the following months, particularly to provide against a failure to receive funds for the income in budget in a timely fashion.
- Mitigate the risk of unforeseen expenditure, in particular the need to embrace new initiatives and opportunities when they arise, and which are not in budget.
- Support innovative programmes where they require a period of development and testing to prove their case.
- Maintain adequate funds to ensure an orderly winding down of discontinued operations.

C40 Cities UK is principally funded by restricted and unrestricted grants from C40 Cities Inc. C40 Cities UK requests and receives its grant income from C40 Cities Inc in sterling, and the majority of its expenditure is in sterling, so C40 Cities UK does not need to hold reserves against adverse movement in exchange rates.

C40 Cities Inc has committed to supporting C40 Cities UK in its statutory and contractual obligations to a maximum amount of £1 million for a period of two years from 14 March 2019. This commitment equates to approximately two months' expenditure.

Given the commitment it has received from C40 Cities Inc, C40 Cities UK believes that its unrestricted reserves should be one month's expenditure. Expenditure during the year averaged £509k per month and, based on the 2019 budget, C40 Cities UK seeks to hold unrestricted reserves in the region of £500k. As at 31 December 2018, unrestricted reserves were £533k. The cash balance, however, was £3.5m due to an unrestricted grant payment of £2.4m received from C40 Cities Inc late in 2018 in respect of 2019.

Trustees believe that unrestricted reserves, being in line with the policy, stand at a satisfactory level.

### Funding Sources

The charity's funding to date has substantially comprised donations from C40 Cities Inc. Its income for 2018 also included restricted grants from four other funders: the AXA Group, Climate KIC Holding B.V., L'Oréal and the Michelin Corporation Foundation, as well as in-kind support from Bloomberg LP.

#### **Cash held on deposit**

C40 Cities UK holds an interest-bearing bank account, and grant funds received from C40 Cities Inc in advance of expenditure are occasionally placed on deposit.

#### **Structure, Governance and Management**

##### **Governing Document**

The organisation is a charitable company limited by guarantee, incorporated on 29 September 2016 and registered as a charity on 22 May 2017. The company is governed under its Memorandum and Articles of Association. In the event of the company being wound up, members are required to contribute an amount not exceeding £1.

##### **Member**

The sole Member of C40 Cities UK is C40 Cities Climate Leadership Group Inc. ("C40 Cities Inc"), a non-stock, non-profit corporation registered in the state of Delaware, that is exempt from federal income tax under section 501(c)(3) of the US Internal Revenue Code. C40 Cities Inc is a network of over 90 of the world's megacities committed to addressing climate change. The mayors of C40 Cities Inc's member cities elect representatives to a Steering Committee, which sets the strategic direction of C40 Cities Inc and elects C40 Cities Inc's Chair from its members. Paris Mayor, Anne Hidalgo, is currently the Chair of C40 Cities Inc's Steering Committee. C40 Cities Inc also has a Board of Directors, comprised of members of the Steering Committee and key funders, which oversees its governance and management. Michael R. Bloomberg, founder of Bloomberg LP & Bloomberg Philanthropies, and former Mayor of New York City is the President of the C40 Cities Inc Board of Directors.

##### **Charity Activities**

The charity's income is comprised of donations from funders, primarily C40 Cities Inc. C40 Cities Inc is funded by unrestricted grants from its three strategic funders, Bloomberg Philanthropies, Children's Investment Fund Foundation (CIFF) and Realdania, and by restricted grants both from its strategic funders and a variety of other funders.

##### **Recruitment and Appointment of the Trustees**

The Directors of the company are also charity Trustees for the purposes of charity law. Under the charity's Articles of Association, Trustees are appointed by the sole member, C40 Cities Inc. Trustees serve until the fourth Annual Retirement Meeting after their appointment, when they can be reappointed for an indefinite number of terms – however, we would expect Trustees to serve for no more than two terms, and we will plan succession on that basis.

During the period, all Trustees gave their time on a voluntary basis and they did not receive any benefits from the charity.

##### **Trustee Induction and Training**

A Trustee induction is carried out for all new Trustees, covering the purpose of the charity, a review of the charity's governing documents, policies and procedures, and the roles and responsibilities of Trustees, including the Trustees' duty to act at all times in the interests of the charity and the Trustees' duty to avoid

conflicts of interest. The Trustee induction includes meetings with senior staff. Trustee training is provided, most recently in March 2019.

Trustees are experienced in their fields, and were selected based on their varied skills sets, including climate change, fundraising, international operations, finance and charity governance. We are pleased to highlight the gender diversity of the Board, being 50% female leadership.

The Trustees are aware of and endeavouring to comply with the Charity Governance Code. In particular, there is close coordination between the Trustees and senior management to ensure the effective management of the charity. The Trustees act with integrity and care, complying with a Code of Conduct and conflict of interest policy. Trustees manage risk through C40's risk register that is regularly reviewed by the trustees.

#### **Trustee Meetings**

Trustees met formally two times during the period, at which meetings they updated policies and procedures for the company, approved a Safeguarding Policy, approved a new Data Protection Policy compliant with the General Data Protection Regulation (GDPR), reviewed the Risk Register and Risk Policy, approved its 2017 Annual Report and Accounts for the period ending 31 December 2017, approved the 2019 budget, approved grant income, approved the charity's contribution to the C40 Cities Network's global 2017-2020 Business Plan, and received reports from the Executive Director on the C40 Cities Network's global progress against its goals. Trustees receive updates on the charity's activities and delivery and those of the wider network between meetings as appropriate. Trustees also reviewed the management accounts against budget at each meeting.

The Trustees also approved six resolutions in writing to approve new grants in line with the C40 Cities UK's Manual of Authorities.

Trustees and staff interact regularly between meetings: specifically, the Executive Director speaks with the Chair on a frequent basis; and the Deputy Executive Director speaks with Board members in advance of each Board meeting.

#### **Delegated Management**

Executive management is delegated to the Executive Director, who is also the Executive Director of C40 Cities Inc, and to a global Management Team which includes employees of both C40 Cities UK and C40 Cities Inc. The members of the Management Team during the period were:

Executive Director	Mark Watts
Deputy Executive Director	Kevin Austin
Director of Corporate Services	Juliette Carter
Director of Governance & Global Partnerships	Andrea Fernandez
Director of Regions	Simon Hansen
Director of Global Initiatives	Shannon Lawrence
Director of Communications	H�rve Marro

Mark Watts, Kevin Austin, Juliette Carter, Andrea Fernandez and Shannon Lawrence are employed by C40 Cities UK. Simon Hansen and H rve Marro are employed directly or indirectly by C40 Cities Inc.

**Principal risks and uncertainties**

C40 Cities Inc maintains a global Risk Register in relation to the C40 Cities Network. Each risk and its mitigating action are owned by a member of the Management Team, who discuss and review the risks as required at quarterly meetings, and the register is reviewed formally on a monthly basis. The mitigating actions are put into place to reduce the likelihood or impact of any detrimental events.

The Trustees consider the key risk facing C40 Cities UK is the high concentration of funding received from C40 Cities Inc. To mitigate this risk, a Cooperation Agreement between C40 Cities Inc and C40 Cities UK is in place to record their ongoing relationship to strengthen their joint efforts in the service of environmental issues and to promote joint working between the parties.

With regard to Brexit, although C40 Cities UK does receive grant funding from within the European Union, it is not reliant on it. The risk to C40 Cities UK relates to staff from mainland Europe employed by C40 Cities UK, and there have been reassurances from the UK government that this will not present an immediate risk. We are confident that there is no risk to the retention of C40 UK key personnel from Brexit.

**Statement of Trustees' Responsibilities in Respect of the Trustees' Annual Report and the Financial Statements**

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law they have are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations or have no realistic alternative but to do so.

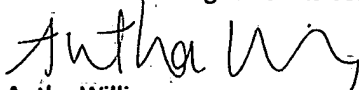
The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

The Trustees report, which incorporates the strategic report was approved by the Board of Trustees on 4 June 2019 and signed on its behalf by:



**Antha Williams**

**Chair**

## **Independent auditor's report to the members of C40 Cities Climate Leadership UK Limited**

### **Opinion**

We have audited the financial statements of C40 Cities Climate Leadership UK Limited ("the charitable company") for the year ended 31 December 2018 which comprise the Statement of Financial Activities, Balance Sheet and Statement of cash flow and related notes, including accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the charitable company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the charitable company or to cease its operations, and as they have concluded that the charitable company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the trustees' conclusions, we considered the inherent risks to the charitable company's business model, including the impact of Brexit, and analysed how those risks might affect the charitable company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the charitable company will continue in operation.

### **Other information**

The trustees are responsible for the other information, which comprises the Trustees' Annual Report and the Strategic Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Trustees' Annual Report, which constitutes the strategic report for the financial year, is consistent with the financial statements; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- the charitable company has not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

#### **Trustees' responsibilities**

As explained more fully in their statement set out on page 12, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

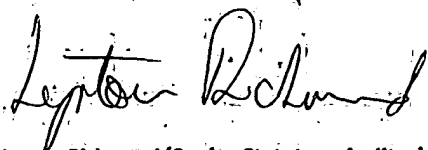
#### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

**This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.**



**Lynton Richmond (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants**

**15 Canada Square**

**London**

**E14 5GL**

25<sup>th</sup> June 2019

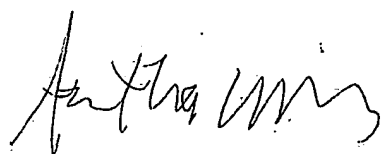
**C40 Cities Climate Leadership UK**  
**Statement of Financial Activities (including Income and Expenditure) for the year ended 31**  
**December 2018**

		<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	<b>Total</b>
		<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>period to</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>31 Dec</b>
	<b>Notes</b>				<b>2017</b>
					<b>£'000</b>
<b>Income and endowment from:</b>					
Donations		4,362	2,169	6,531	1,908
Trading activities		-	-	-	13
Other income		5	-	5	1
<b>Total Income</b>	<b>3</b>	<b>4,367</b>	<b>2,169</b>	<b>6,536</b>	<b>1,922</b>
<b>Expenditure on:</b>					
Raising funds		47	-	47	29
Expenditure on charitable activities		4,034	2,030	6,064	1,383
Other		-	-	-	-
<b>Total Expenditure</b>	<b>5</b>	<b>4,081</b>	<b>2,030</b>	<b>6,111</b>	<b>1,412</b>
<b>Net income/(expenditure) for the year</b>		<b>286</b>	<b>139</b>	<b>425</b>	<b>510</b>
<b>Transfers between funds</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Movement in funds</b>		<b>286</b>	<b>139</b>	<b>425</b>	<b>510</b>
<b>Reconciliation of funds</b>					
Total funds brought forward		247	263	510	-
<b>Total funds carried forward</b>		<b>533</b>	<b>402</b>	<b>935</b>	<b>510</b>

**C40 Cities Climate Leadership UK  
Balance Sheet at 31 December**

		2018 £'000	2017 £'000
<b>Fixed Assets</b>	<b>Note</b>		
Intangible Assets	7	5	14
Tangible Assets	8	<u>5</u>	<u>2</u>
		10	16
<b>Current Assets</b>			
Trade Debtors	9	63	165
Prepayments and Accrued Income	9	17	114
Other debtors	9	124	97
Cash at Bank and in Hand		<u>3,458</u>	<u>2,683</u>
		3,662	3,059
<b>Current Liabilities</b>			
Accruals & Deferred Income	10	(2,737)	(2,565)
<b>Net Current Assets</b>		<u>925</u>	<u>494</u>
<b>Total Net Assets</b>		<u>935</u>	<u>510</u>
<b>Represented by:</b>			
<b>Funds and reserves</b>			
Restricted funds	12	402	263
Unrestricted funds	12	<u>533</u>	<u>247</u>
<b>Total funds</b>		<u>935</u>	<u>510</u>

These financial statements were approved by the Board of Trustees and were signed on its behalf by:



Antha Williams, Chair of Trustees

6/20/19

**C40 Cities Climate Leadership UK**  
**Statement of cash flows for the year ended 31 December 2018**

	2018 £'000	Total period to 31 Dec 2017 £'000
<b>Cash flow from operating activities:</b>		
Net cash provided by operating activities	425	510
<b>Adjustment for:</b>		
Depreciation and amortisation charge	10	5
Purchase of fixed asset		
(Increase)/Decrease in debtors	172	(377)
Increase/(Decrease) in creditors	172	2,566
Net cash provided by operating activities	<u>779</u>	<u>2,704</u>
<b>Cash flow from investing activities:</b>		
Purchase of fixed asset	<u>(4)</u>	<u>(21)</u>
Net cash used in investing activities	<u>(4)</u>	<u>(21)</u>
<b>Change in cash and cash equivalents in the reporting period</b>	775	2,683
Cash and cash equivalents at the beginning of the reporting period	<u>2,683</u>	-
Cash and cash equivalents at end of reporting period	<u><u>3,458</u></u>	<u><u>2,683</u></u>

## **C40 Cities Climate Leadership UK**

### **Notes forming part of the financial statements for the year ended 31 December 2018**

#### **1) Basis of accounting and going concern**

The financial statements have been prepared on the basis of historical cost in accordance with applicable accounting standards in the United Kingdom, the Companies Act 2006 and the Charities Act 2011. These financial statements are prepared in accordance with the Accounting and Reporting by Charities Statement of Recommended Practice (SORP 2015) under FRS 102 accounting framework.

The trustees have assessed whether the use of the going concern basis is appropriate.

C40 Cities UK's funding for its expenditure is provided by a number of grants, the most important of which are provided by C40 Cities Inc. C40 Cities UK and C40 Cities Inc work to an operational plan in order to fulfil a common set of objectives and C40 Cities UK therefore has a reasonable expectation that funding will continue to flow from C40 Cities Inc to enable these objectives to be achieved. There is no competition between the two entities and others in the group for sources of finance. C40 Cities Inc is considered to be a going concern on the basis that adequate funding agreements with Strategic Funders are in place covering the current Business Plan period, being 2017-2020.

Discussions are already underway with respect to plans and funding for the subsequent period, likely to be for four years, and C40 Cities Inc expects to agree a new, funded plan after the expiry of the current one. In the event that future funding is not available to allow C40 Cities UK to continue with its activities, C40 Inc has undertaken to provide unconditional and irrevocable financial support, either in the form of a grant or another form, to the value of GBP1m to permit an orderly wind-down. The directors and trustees of C40 Cities UK, having considered its current funding arrangements and the status of the discussions for the next funding cycle believe it is appropriate to prepare the accounts on a going concern basis.

A summary of the principle accounting policies, which have been applied consistently, is set out below.

#### **2) Accounting policies**

##### **a) Income**

Income is included in the Statement of Financial Activities when the charity is entitled to the income, the income is probable and the amount can be quantified with reasonable accuracy. Grant income is recognised when it becomes due in accordance with the grant agreements.

##### **b) Expenditure**

Expenditure is accounted for on an accruals basis.

Expenditure on fund raising includes the salaries of the fundraising staff and the direct costs associated with generating income. No support costs or overheads are allocated to expenditure on fund raising since the amounts would be immaterial.

Expenditure on charitable activities comprise direct expenses incurred on the defined goals of the charity and attributable support costs including overheads.

**C40 Cities Climate Leadership UK**  
**Notes forming part of the financial statements for the year ended 31 December 2018**

The basis of allocation of support costs is the proportion of C40 global staff costs spent on each of the goals of the charity. Support costs include governance costs such as legal and audit costs associated with meeting constitutional and statutory requirements.

**c) Fund accounting**

Unrestricted funds are used at the discretion of the trustees for the furtherance of the general objects of the charity.

Designated funds are unrestricted funds which have been set aside by the trustees for specific purposes or projects.

Restricted funds are those funds that have restrictions imposed by donors and can only be used for those purposes. They are not available for any other work than that specified by the donor.

**d) Accounting estimates**

An accounting estimate was used in the valuation of income received in kind, relating to the office space and associated services provided to the charity by Bloomberg L.P. The estimation technique used was based on the costs per square foot derived from local rental costs. The amount recognised reflects the value of the gift to the charity.

**e) Intangible fixed assets**

Intangible fixed assets are stated at cost less accumulated amortisation. Assets are amortised on a straight-line basis over their useful life, which may be dictated by the project length. Assets less than £1,500 are not amortised.

**f) Tangible fixed assets**

Tangible fixed assets, comprising computers and other equipment, are stated at cost less accumulated depreciation. Assets are depreciated on a straight-line basis over an estimated useful economic life of three years. Assets less than £1,500 are not capitalised.

**g) Taxation**

C40 Cities UK is a registered charity and is therefore not liable for corporation tax derived from its charitable activities, as it falls within the exemptions available to registered charities. VAT, which is irrecoverable, is included within expenditure.

**h) Pension**

C40 Cities UK makes payments into a defined contribution pension scheme. The pension costs are allocated to activities and between restricted/unrestricted funds according to where the related staff costs are allocated.

**C40 Cities Climate Leadership UK**  
**Notes forming part of the financial statements for the year ended 31 December 2018**

**3) Income from donations**

The charity's donations total is comprised solely of donations from AXA Group, Bloomberg LP, C40 Inc, Climate-KIC, L'Oréal and Michelin Foundation.

	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	2018	2018	2018	Period to 31	Period to 31	Period to 31
	£	£	£	Dec 2017	Dec 2017	Dec 2017
	£	£	£	£	£	£
Grant income	3,578,738	2,168,445	5,747,183	1,091,600	656,665	1,748,265
In-kind income	789,250		789,250	159,608		159,608
	<u>4,367,988</u>	<u>2,168,445</u>	<u>6,536,433</u>	<u>1,251,208</u>	<u>656,665</u>	<u>1,907,873</u>

Further information about the grant income from C40 Inc. can be found in the Related Parties note 14.

**4) Donated goods and services**

C40 Cities UK receives in-kind income in the form of office space and associated services from Bloomberg LP. The accounting policy in relation to this is in note 2 d) Accounting estimates. See also related party disclosure in note 14.

	Direct costs	Allocation of support costs	Total	Period to 31
	2018	2018	2018	Dec 2017
	£	£	£	£
5) Expenditure				
Goal 1: Engage Mayoral leadership	537,421	102,416	639,837	159,941
Goal 2: Support Cities to prepare robust climate change inventories, targets and plans	746,538	627,658	1,374,196	170,492
Goal 3: Accelerate action through peer-to-peer exchange and direct support	1,134,639	479,642	1,614,281	407,000
Goal 4: Remove barriers to city climate action	974,083	126,996	1,101,079	149,770
Goal 5: Provide global thought leadership, agenda-setting communications and world class events	1,017,906	316,842	1,334,748	495,128
	<u>4,410,587</u>	<u>1,653,554</u>	<u>6,064,141</u>	<u>1,382,331</u>

	2018	Period to 31
	£	Dec 2017
	£	£
Support costs above include:		
Governance costs:		
Audit costs	18,000	12,000
Legal costs	29,114	26,596
Total	<u>47,114</u>	<u>38,596</u>

6) Staff costs, trustee remuneration and expenses and costs of key management personnel

	2018	Period to 31 Dec 2017
a) Staff costs comprise:	£	£
Wages and salaries	3,696,370	773,373
Social security costs	399,174	77,678
Pension costs	148,478	29,983
Staff costs recharged to C40 Inc	-	(95,324)
Staff costs recharged from C40 Inc	-	117,165
	<u>4,244,022</u>	<u>902,875</u>

The average number of employees during the year was as follows:

2018	2017
No.	No.
70	58

There were no redundancy or termination payments made in the year.

Employee benefits, excluding employer pension costs and employer's NI, of higher paid staff within the following scales were:

	2018	2017
£60,000 - £69,999	6	—
£70,000 - £79,999	2	—
£80,000 - £89,999	1	—
£90,000 - £99,999	1	—
£100,000 - £109,999	2	—
£110,000 - £119,999	—	—
£120,000 - £129,999	—	—
£130,000 - £139,999	—	—
£140,000 - £149,999	1	—
£150,000 - £159,999	—	—
£160,000 - £169,999	1	—

As outlined in note 14, C40 Cities UK and C40 Inc are aligned with their charitable aims, and staff work in the pursuit of these aims. The disclosure in this note relates to staff who are employed by C40 Cities UK. The figures for 2017 are nil because operations of the UK entity commenced on 1 October 2017 and no staff member earned more than £60,000 in this period.

None of the charity's trustees were paid or received any other benefits during the year, nor were any expenses reimbursed.

The total employee benefits received by key management personnel during the year were £736,703.

<b>7) Intangible assets</b>	<b>Total £</b>
Cost	
At 1 January 2018	19,160
Additions	-
At 31 December 2018	<u>19,160</u>
Amortisation	
At 1 January 2018	4,790
Charge for the year	9,580
At 31 December 2018	<u>14,370</u>
<b>Net book value</b>	
<b>At 31 December 2018</b>	<u><b>4,790</b></u>
<b>At 31 December 2017</b>	<u><b>14,370</b></u>

<b>8) Tangible assets</b>	<b>Total £</b>
Cost	
At 1 January 2018	2,306
Additions	4,136
At 31 December 2018	<u>6,442</u>
Amortisation	
At 1 January 2018	384
Charge for the year	769
At 31 December 2018	<u>1,153</u>
<b>Net book value</b>	
<b>At 31 December 2018</b>	<u><b>5,289</b></u>
<b>At 31 December 2017</b>	<u><b>1,922</b></u>

<b>9) Debtors</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade debtors - donations receivable	62,875	165,329
Accrued income	-	96,162
Prepayments	15,862	17,447
Due from C40 Inc.	123,960	96,157
Sundry debtors	1,469	1,561
<b>Total debtors</b>	<u><b>204,166</b></u>	<u><b>376,656</b></u>

<b>10) Creditors</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade creditors	85,005	38,550
Accruals	128,343	87,799
PAYE National Insurance	123,280	89,144
Deferred income	2,400,000	2,350,000
<b>Total creditors</b>	<u><b>2,736,628</b></u>	<u><b>2,565,493</b></u>

Deferred income relates to a 2019 grant from C40 Inc received in 2018 (see note 2a)

## 11) Restricted funds

Restricted funds are those funds that must be used in accordance with donors' wishes.

AXA Group	These funds are restricted to the Infrastructure Interdependency project.
C40 Inc	These funds are an allocation of amounts granted to C40 Inc for work carried out by C40 Cities UK, and are restricted to the terms of the original grant agreements between C40 Inc and its funders.
Climate KIC	These funds are restricted to the following projects: Reinventing Cities, Lower Emissions Economy Partnership and Circular Economy.
L'Oréal	These funds are restricted to the Women4Climate project.
Michelin Foundation	These funds are restricted to the Women4Climate project.

	Balance at 1 January 2018 £	Income 2018 £	Expenditure 2018 £	Balance at 31 December 2018 £
Restricted funds:				
AXA Group	-	62,106	12,413	49,693
C40 Inc	114,948	1,776,440	1,665,961	225,427
Climate KIC	(621)	2,423	128,054	(126,252)
L'Oréal	149,348	247,222	221,391	175,179
Michelin Foundation	-	80,253	2,661	77,592
	<b>263,675</b>	<b>2,168,444</b>	<b>2,030,480</b>	<b>401,639</b>

In line with the funder agreements, invoices were submitted to Climate-KIC in January 2019, and the income was recognised at this point.

## 12) Analysis of net assets between funds

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total 2018 £	Total 2017 £
<b>Fund balances at 31 December 2018</b>				
are represented by:				
Intangible Fixed Assets	-	4,790	4,790	14,370
Tangible Fixed Assets	5,289	-	5,289	1,922
Current assets	2,390,571	1,271,257	3,661,828	3,059,451
Creditors: amounts falling due within one year	(1,862,375)	(874,408)	(2,736,783)	(2,565,493)
<b>Total net assets</b>	<b>533,485</b>	<b>401,639</b>	<b>935,124</b>	<b>510,250</b>

## 13) Liability of member

The liability of the member is limited to £1.

#### **14) Related Parties**

The sole member of C40 Cities Climate Leadership UK is C40 Cities Climate Leadership Group Inc (C40 Inc), a non-stock, non-profit corporation registered in the state of Delaware. C40 UK and C40 Inc have common global goals to which all staff work towards. A memorandum of understanding outlines how the two entities work together towards these shared charitable aims.

Two of the trustees of C40 Cities UK are also Directors of C40 Inc. During the year, C40 Cities UK received grant income from C40 Inc totalling £5,349,893, being £3,573,453 unrestricted grant income and £1,776,440 restricted grant income. The majority of the grant income was received in cash, with £649,893 spent on Bank of America credit cards held by C40 UK employees. The total funds received from C40 Inc. represents 82% of income.

As identified in note 3, C40 Cities UK received income in kind in relation to office space and associated services from Bloomberg LP. Bloomberg Philanthropies is a donor of C40 Inc.

There were no other related party transactions.