

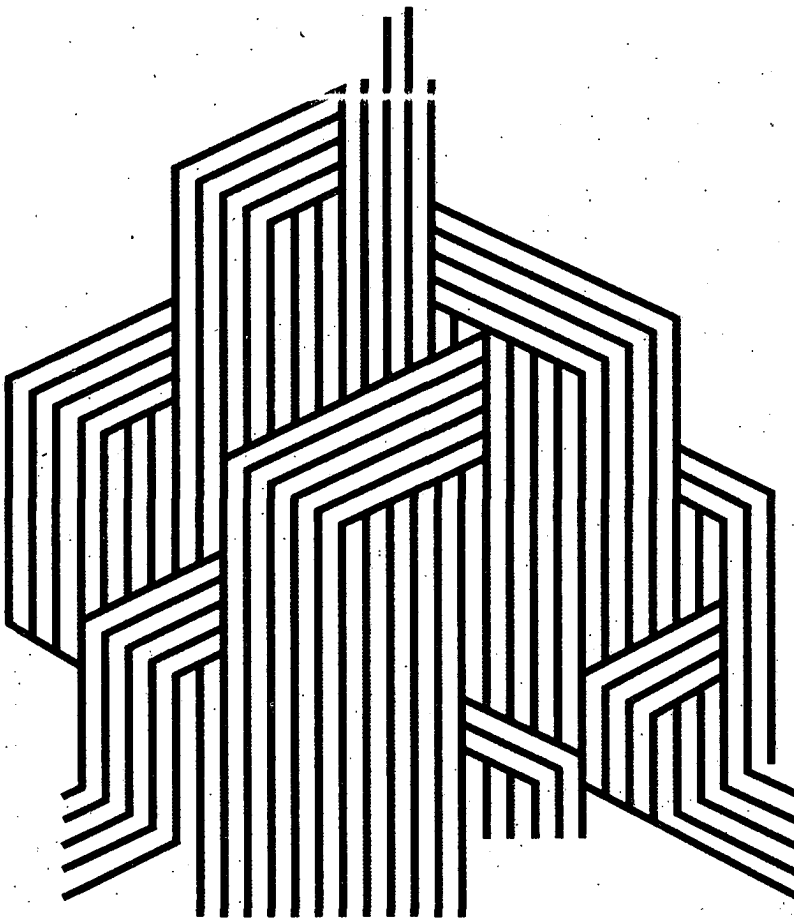
C40 Cities Climate Leadership UK

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

Report and Financial Statements for the year ended 31 December 2019

Charity number 1173124

Company number 10401717



C40 Cities Climate Leadership UK

Report and Financial Statements For the year ended 31 December 2019

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C40 Cities Climate Leadership UK

Report and Financial Statements For the year ended 31 December 2019

Charity name C40 Cities Climate Leadership UK

Principal and registered office 3 Queen Victoria Street, London, EC4N 4TQ

Charity number 1173124

Company number 10401717

Board of Directors

The trustees who served during the period were:

Anthia Williams (Chair)

Pelle Lind Bournonville

Jemma Read

Henrietta Foster (from 10 October 2019)

Simon Lloyd (until 18 July 2019)

Company Secretary Kevin Austin

Chief Executive Mark Watts

Auditor KPMG LLP, 15 Canada Square, London, E14 5GL

Solicitors Bates Wells Brathwaite, 10 Queen Street Place
London, EC4R 1BE

Bankers NatWest Bank, 94 Moorgate, London, EC2M 6UR

Report of the Directors for the year ended 31 December 2019

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 2019.

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 drive 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 when exercising any powers or duties to which the guidance is relevant.

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 C40 connects 96 of the world's largest and most influential cities, representing 700+ million citizens and one quarter of the global economy. Member cities use a science-based approach and exchange of best practices to take the urgent and effective action needed to confront the climate crisis and keep global heating below 1.5°C, aiming to collectively halve greenhouse gas emissions by 2030. C40 mayors are committed to increasing resilience, cleaning the air we breathe and taking inclusive climate action to create 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).

Having worked towards C40 Cities Inc's 2017 – 2020 Business Plan (which was approved by the Steering Committee in 2016) throughout 2017 - 2018, the Trustees of C40 Cities UK decided that contributing to the Business Plan continued to be in the interests of the charity in support of its charitable objects for the 2018 – 2019 period. The 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 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 are conditions for ongoing C40 membership. They also encourage all cities to have developed and be implementing, by the end of 2020, a climate action plan compatible with the Paris Agreement goal to constrain global average temperature rise below 1.5°C, while improving resiliency and inclusivity.

Achievements and Performance

C40 Cities UK enjoyed a successful year in 2019, during which it contributed to the implementation of the C40 Cities Network 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 substantively contributed to providing direct support to 96 cities of the C40 Cities Network. C40's key programmes are driven by data-based reports like Deadline 2020, and assigned quantifiable targets. Our progress on these targets is monitored thanks to reporting frameworks like the Global Protocol for Community-Scale Greenhouse Gas Emission Inventories (GPC), the Carbon Disclosure Project (CDP), and the Global Covenant of Mayors' Common Reporting Framework (CRF), ensuring consistency across our regions and with the work of partner organizations. 53 C40 Cities Members peaked or are expected to peak emissions by end of 2020. 84 C40 Cities Network mayors have committed to develop 1.5°C climate action plans by the end of 2020. In 2019, C40 launched a Clean Construction Forum, Zero Emission Freight Academy, and ZEBRA (Zero Emission Bus Rapid-

deployment Accelerator), launched global agenda-setting research on consumption-based emissions, celebrated world leading cities through a high-profile awards and best-practice sharing report, and delivered multiple world class events throughout 2019, with the C40 World Mayors Summit in Copenhagen as the pinnacle of the year.

The citizens of 96 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 2019, 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

- 28 C40 Network mayors have pledged to procure only zero-emission buses from 2025 and to ensure that a major area of their city is zero emission by 2030, with a potential for more than 120,000 zero emission buses.
- 23 C40 Network mayors committed to all zero-carbon new buildings by 2030. This alone could result in equivalent carbon savings of shutting down nearly 50 coal-fired power stations.
- 22 C40 Network mayors committed to advance towards zero-waste, diverting 130 million tonnes of waste by 2030. 18 C40 Cities Network mayors are already banning single use plastic.
- 35 C40 Network mayors pledged to set targets and implement policies towards meeting WHO air quality guidelines by 2030.
- 14 C40 mayors committed to achieve a Planetary Health Diet for all and reduce food loss and waste by 50% by 2030. 19 C40 Network mayors are already implementing policies to encourage low-carbon diets.
- C40 Cities 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 2019, C40 Cities Inc continued to devote additional resources to supporting cities in Latin America, South East Asia, China, and Africa to develop their climate action plans. The programme is supported by C40 Cities UK staff in project management and administrative roles.
 - 80 C40 Network mayors committed to tough climate targets to deliver and implement Paris compatible action plans by the end of 2020. Twelve C40 Network mayors have published their action plans.
 - The Climate Action Planning Resource Centre continued to support C40 Cities Network and non-C40 Cities Network cities with 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 Cities Network currently has 16 networks covering topics which are of the highest priority for C40 Cities Network cities and have potential for the greatest climate impact in mitigation, adaptation and sustainability.
- C40 Cities Network launched the Clean Construction Forum in May 2019, at the City of Oslo's initiative, to support cities in driving net zero embodied emissions from buildings and infrastructure.

It aims to shift the market to tackle construction consumption-based emissions, whilst providing a platform for collaboration with the industry.

- Freight has consistently been identified as a key barrier in implementing zero emission areas in cities. Funded by ClimateWorks Foundation, C40 Cities Network's first Zero Emission Freight Academy (September 2019, Vancouver) gathered representatives from 10 C40 Cities Network cities and 11 expert organisations.
- Launched at the C40 World Mayors Summit in October 2019, the C40 Knowledge Hub provides unique insights and expertly curated content geared specifically towards city decision makers and practitioners, as well as AI-driven peer-to-peer connection, training and engagement tools. The Hub also hosts private city pages to help track cities' progress.

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. The CFF currently works on 19 projects in 17 cities.
- The Financing Sustainable Cities Initiative ("FSCI"), also substantially undertaken by C40 Cities UK, helps cities accelerate and scale-up investment in sustainable urban solutions through capacity building, peer knowledge-sharing, and technical assistance, across clean energy, transportation and adaptation projects.
- The C40 Divest/Invest forum is a first-of-its-kind initiative to help urban leaders make the leap to effective and efficient divestment and accelerate green investment. The Forum is designed to support cities and their pension funds in developing Divest/Invest strategies.

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.

- In October 2019, The C40 World Mayors Summit 2019 was the largest, most successful C40 Cities Network event to date (full highlights). More than 75 leading mayors, 1,700 global influencers, business leaders, youth activists, philanthropists, campaigners, scientists and more than 20,000 citizens attended to commit to more ambitious climate action and showcase the innovative solutions that are creating healthier, more liveable and resilient communities. Led by #TheFutureWeWant campaign, C40 Cities Network experienced the strongest media coverage to date, with 3000+ media articles from 100 countries and over 130 journalists present.
- Through 'The Future of Urban Consumption in a 1.5°C World' and the Thriving Cities Initiative pilot, C40 Cities Network opens up new thinking for transformation, helping local coalitions of community change-makers address the environmental and social challenges brought by a consumer-focused economy, by creating stronger communities, addressing work-life balance, and breaking the logic of the consumerism cycle.
- Through funding primarily from L'Oréal, the C40 Cities UK staff delivered a high-level platform to engage C40 Cities Network mayors at the 3rd C40 Women4Climate event hosted by Paris 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 2019:
 - 12,000 articles mentioning C40 Cities Network were published, across 127 countries
 - In social media – 1 billion impressions and 23,500 individual posts mentioned C40 Cities Network in the run-up to the C40 World Mayors Summit (1 September - 16 October), reaching 90 million people.

Fundraising

The majority of C40 Cities UK's income was granted by C40 Cities Inc, but C40 Cities UK also had six active grants from four other funders in 2019. 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 Cities 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 2020, C40 Cities UK will contribute to the delivery of the elements described below.

GOAL 1: Engage Mayoral Leadership

In 2020, 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 five priority areas: Green and healthy streets, Zero emission buildings, Zero waste, Clean air and Good food.

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

In 2020, C40 Cities UK is planning to continue 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.

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 2020, the CFF will support cities on areas including cycling, energy, adaptation and electric buses.

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

In adaptation to the 2020 geopolitical context, C40 Cities has re-framed its diplomatic advocacy and communications strategy to support the narrative around a green and fair recovery from the COVID-19 pandemic, while keeping ambitious and inclusive climate action on top of the global agenda.

Financial Review

Fund balance, income and expenditure

During 2019, C40 Cities UK's second full year of operation, income of £8.4m (2018: £6.5m) was received and expenditure of £7.6m (2018: £6.1m) was incurred. The net movement in funds in the year was £798k.

At 31 December 2019, the funds of the charity therefore stood at £1,733k, of which £821k were unrestricted and £912k 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 22 May 2020 in order to permit an orderly wind-down.

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 £635k per month and, based on the 2020 budget, C40 Cities UK seeks to hold unrestricted reserves in the region of £660k. As at 31 December 2019, unrestricted reserves were £821k. The cash balance at 31 December was £1.8m.

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 2019 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 at the centre of 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. Los Angeles Mayor, Eric Garcetti, is currently the Chair of C40 Cities Inc's Steering Committee. C40 Cities Inc also has a Board of Directors, made up of independent individuals representing various C40 partners, 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 75% female leadership.

The Trustees are aware of and endeavour 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 three times during the period, at which meetings they approved a revised Safeguarding Policy, reviewed the Risk Register, approved the charity's 2018 Annual Report and Accounts for the period ending 31 December 2018, approved the 2020 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 Director of Corporate Services and Deputy Executive Director speak 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	Herve Marro
Director of International Diplomacy	David Miller
Director of Governance	Anna Beech

Mark Watts, Kevin Austin, Juliette Carter, Andrea Fernandez, Shannon Lawrence and Anna Beech are employed by C40 Cities UK. Simon Hansen, Herve Marro and David Miller 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, as well as a C40 Cities UK specific risk register. 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, which took place on 31 January 2020, the impact on the charitable purposes of C40 Cities UK has been largely mitigated by the registration of C40 Denmark in August 2019 allowing the C40 Cities Network to continue to benefit from European Union (EU) funding which will no longer be available to C40 Cities UK. During the November board meeting, the C40 Cities UK Board approved C40 Cities UK to become a member of C40 Denmark. The Board also approved Kevin Austin, Deputy Executive Director as representative of C40 Cities UK to C40 Denmark. Any future funding received from the European Union will be received by C40 Denmark. The risk posed by Brexit relating to staff from mainland Europe employed by C40 Cities UK has also been mitigated by the EU Settlement Scheme, under which EU nationals who are living in the UK prior to the Brexit date can apply and will be granted a settled or pre-settled status depending on the length of their residence in the UK. Where staff may be hired from mainland Europe after the Brexit date, they will be required to apply for European Temporary Leave to Remain, followed by an application under the new immigration system, potentially requiring employer's sponsorship. C40 Cities UK will assess each case as it arises.

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world, having affected more than 110 countries at that time. Most global governments are taking restrictive measures to contain the spread of the virus, including: isolation, quarantine, restricting the free movement of people, closure of public and private premises (except those of basic necessity and health), closure of borders and a significant reduction in air, sea, rail and land transport.

This has been considered a non-adjusting post balance sheet event and therefore the Trustees do not consider there to be any material impacts to the financial statements. The Trustees consider that COVID-19 will not have a material impact on the ability of the Strategic Funders to make grants to C40 Cities Inc and in turn C40 Cities UK due to their size and the level of reserves in place. C40 Cities UK has seen limited operation impacts from COVID-19 and has continued to operate effectively with employees working from home. The pandemic has been particularly prevalent in large cities and therefore provides C40 Cities UK with additional opportunities to work with key targets.

The Trustees have also considered the impact of COVID-19 on the entity's ability to continue as a going concern though cash flow forecasts up to 30 June 2021. Further details are set out in note 1. COVID-19 is not considered to have a material impact on these forecasts and therefore the entity's ability to continue as a going concern. The 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.

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.

The Trustees report, which incorporates the strategic report was approved by the Board of Trustees on 19 June 2020 and signed on its behalf by:



Antha Williams

Chair

25 June 2020

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 2019 which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies in note 2.

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 2019 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 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 13, the trustees (who are also the directors of the charitable company for the purposes of company law) 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.

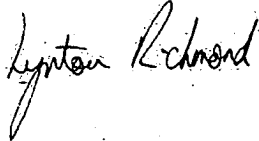
Auditor's responsibilities

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.

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.

A handwritten signature in black ink, reading "Lynton Richmond". The signature is written in a cursive, flowing style.

Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

29 June 2020

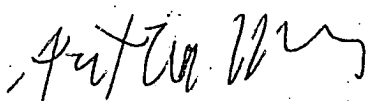
C40 Cities Climate Leadership UK
Statement of Financial Activities (including Income and Expenditure) for the year ended 31
December 2019

		Unrestricted	Restricted	Total	Total
		2019	2019	2019	2018
		£'000	£'000	£'000	£'000
	Notes				
Income and endowment from:					
Donations		4,555	3,856	8,411	6,531
Trading activities		-	-	-	-
Other income		9	-	9	5
Total Income	3	4,564	3,856	8,420	6,536
 Expenditure on:					
Raising funds		35	-	35	47
Expenditure on charitable activities		4,241	3,346	7,587	6,064
Other		-	-	-	-
Total Expenditure	5	4,276	3,346	7,622	6,111
 Net income/(expenditure) for the year		288	510	798	425
 Transfers between funds		-	-	-	-
 Net Movement in funds		288	510	798	425
 Reconciliation of funds					
Total funds brought forward		533	402	935	510
Total funds carried forward		821	912	1,733	935

**C40 Cities Climate Leadership UK
Balance Sheet at 31 December 2019**

		2019 £'000	2018 £'000
Fixed Assets	Note		
Intangible Assets	7	0	5
Tangible Assets	8	<u>3</u>	<u>5</u>
		3	10
Current Assets			
Trade Debtors	9	170	63
Prepayments and Accrued Income	9	42	17
Other debtors	9	176	124
Cash at Bank and in Hand		<u>1,849</u>	<u>3,458</u>
		2,237	3,662
Current Liabilities			
Creditors	10	<u>(507)</u>	<u>(2,737)</u>
 Net Current Assets		 <u>1,730</u>	 <u>925</u>
 Total Net Assets		 <u><u>1,733</u></u>	 <u><u>935</u></u>
Represented by:			
Funds and reserves			
Restricted funds	12	912	402
Unrestricted funds	12	<u>821</u>	<u>533</u>
 Total funds		 <u><u>1,733</u></u>	 <u><u>935</u></u>

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



Antha Williams, Chair of Trustees

25 June 2020

C40 Cities Climate Leadership UK
Statement of cash flows for the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flow from operating activities:		
Net cash provided by operating activities	798	425
<i>Adjustment for:</i>		
Depreciation and amortisation charge	7	10
Purchase of fixed assets		
(Increase)/Decrease in debtors	(184)	172
Increase/(Decrease) in creditors	(2,230)	172
Net cash provided by operating activities	<u>(1,609)</u>	<u>779</u>
Cash flow from investing activities:		
Purchase of fixed assets	-	(4)
Net cash used in investing activities	<u>-</u>	<u>(4)</u>
Change in cash and cash equivalents in the reporting period	(1,609)	775
Cash and cash equivalents at the beginning of the reporting period	<u>3,458</u>	<u>2,683</u>
Cash and cash equivalents at end of reporting period	<u>1,849</u>	<u>3,458</u>

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December 2019

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 remainder of the current Business Plan period, being 2017-2020. Furthermore, discussions and preparations are already well underway with respect to plans and funding for the subsequent Business Plan period, being 2021-2024. One of the three Strategic Funders has committed to funding for this period, while discussions with the other two are in their advanced stages.

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world, having affected more than 110 countries at that time. Most global governments are taking restrictive measures to contain the spread of the virus, including: isolation, quarantine, restricting the free movement of people, closure of public and private premises (except those of basic necessity and health), closure of borders and a significant reduction in air, sea, rail and land transport. The trustees consider that COVID-19 will not have a material impact on the ability of the Strategic Funders to make grants to C40 Cities Inc and in turn C40 Cities UK due to their size and the level of reserves in place. C40 Cities UK has seen limited operational impacts from COVID-19 and has continued to operate effectively with employees working from home. The pandemic has been particularly prevalent in large cities and therefore provides C40 Cities UK with additional opportunities to work with key targets.

The trustees have assessed cash flow forecasts up to 30 June 2021 which show that C40 Cities UK can meet its liabilities as they fall due. COVID-19 is not considered to have a material impact of these forecasts and therefore the entities ability to continue as a going concern. 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 GBP 1m to permit an orderly wind-down. The 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 fundraising 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.

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December 2019

Expenditure on charitable activities comprise direct expenses incurred on the defined goals of the charity and attributable support costs including overheads. 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 recognized 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 2019

3) Income from donations

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

	Unrestricted 2019 £	Restricted 2019 £	Total 2019 £	Unrestricted 2018 £	Restricted 2018 £	Total 2018 £
Grant income	3,788,076	3,855,822	7,643,898	3,578,738	2,168,445	5,747,183
In-kind income	766,700	-	766,700	789,250	-	789,250
	4,554,776	3,855,822	8,410,598	4,367,988	2,168,445	6,536,433

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.

5) Expenditure	Direct costs 2019 £	Allocation of support costs 2019 £	Total 2019 £	Total 2018 £
Goal 1: Engage Mayoral leadership	630,523	152,366	782,889	639,837
Goal 2: Support Cities to prepare robust climate change inventories, targets and plans	1,146,669	625,521	1,772,190	1,374,196
Goal 3: Accelerate action through peer-to-peer exchange and direct support	1,729,911	467,884	2,197,795	1,614,281
Goal 4: Remove barriers to city climate action	1,052,928	114,602	1,167,530	1,101,079
Goal 5: Provide global thought leadership, agenda-setting communications and world class events	1,395,597	271,541	1,667,138	1,334,748
	5,955,628	1,631,914	7,587,542	6,064,141

Support costs above include:

	2019 £	2018 £
Governance costs:		
Audit costs	26,794	18,000
Legal costs	18,044	29,114
Total	44,838	47,114

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

a) Staff costs comprise:	2019	2018
	£	£
Wages and salaries	4,546,547	3,696,370
Social security costs	500,352	399,174
Pension costs	202,739	148,478
Staff costs recharged to C40 Inc	-	-
Staff costs recharged from C40 Inc	-	-
	<u>5,249,638</u>	<u>4,244,022</u>

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

2019	2018
No.	No.
90	70

C40 Cities UK made termination payments totalling £9,333 in 2019.

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

	2019	2018
£60,000 - £69,999	10	6
£70,000 - £79,999	3	2
£80,000 - £89,999	1	1
£90,000 - £99,999	1	1
£100,000 - £109,999	2	2
£110,000 - £119,999	—	—
£120,000 - £129,999	—	—
£130,000 - £139,999	—	—
£140,000 - £149,999	1	1
£150,000 - £159,999	—	—
£160,000 - £169,999	—	1
£170,000 - £179,999	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.

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 £792,714.

7) Intangible assets	Total
	£
Cost	
At 1 January 2019	19,160
Additions	-
At 31 December 2019	19,160
Amortisation	
At 1 January 2019	14,370
Charge for the year	4,790
At 31 December 2019	19,160
Net book value	
At 31 December 2019	-
At 31 December 2018	4,790

8) Tangible assets	Total
	£
Cost	
At 1 January 2019	6,442
Additions	-
At 31 December 2019	6,442
Depreciation	
At 1 January 2019	1,153
Charge for the year	2,201
At 31 December 2019	3,354
Net book value	
At 31 December 2019	3,088
At 31 December 2018	5,289

9) Debtors	2019	2018
	£	£
Trade debtors - donations receivable	170,242	62,875
Accrued income	-	-
Prepayments	41,960	15,862
Due from C40 Inc.	172,760	123,960
Sundry debtors	2,931	1,469
Total debtors	387,893	204,166

10) Creditors	2019	2018
	£	£
Trade creditors	197,821	85,005
Accruals	172,136	128,343
PAYE National Insurance	137,587	123,280
Deferred income	-	2,400,000
Total creditors	507,544	2,736,628

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 2019	Income 2019	Expenditure 2019	Balance at 31 December 2019
	£	£	£	£
Restricted funds:				
AXA Group	49,693	-	37,348	12,345
C40 Inc	225,427	3,180,363	2,781,900	623,890
Climate KIC	(126,252)	422,850	296,598	-
L'Oréal	175,179	252,609	171,820	255,968
Michelin Foundation	77,592	-	58,326	19,266
	401,639	3,855,822	3,345,992	911,469

12) Analysis of net assets between funds

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total 2019 £	Total 2018 £
Fund balances at 31 December 2019 are represented by:				
Intangible Fixed Assets			-	4,790
Tangible Fixed Assets	3,088	-	3,088	5,289
Current assets	1,065,998	1,171,349	2,237,347	3,661,828
Creditors: amounts falling due within one year	(247,665)	(259,880)	(507,545)	(2,736,783)
Total net assets	821,421	911,469	1,732,890	935,124

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 which all staff work towards. A memorandum of understanding outlines how the two entities work together towards these shared charitable aims.

One of the trustees of C40 Cities UK is also a Director of C40 Inc. During the year, C40 Cities UK received grant income from C40 Inc totalling £6,968,438, being £3,788,076 unrestricted grant income and £3,180,362 restricted grant income. The majority of the grant income was received in cash, with £761,438 spent on Bank of America credit cards held by C40 UK employees. The total funds received from C40 Inc. represents 83% 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.