C40 Cities Climate Leadership UK

C40 Cities UK) (A company limited by guarantee)

Report and Financial Statements For the Period Ended 31 December 2017
   Charity number 1173124
   Company number 10401717
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Reference and Administrative Information

Charity Name: C40 Cities Climate Leadership UK
Charity registration number: 1173124
Registered Office and operational address: 3 Queen Victoria Street, London, EC4N 4TQ
Website: c40.org

Board of Trustees

The Trustees who served during the period were:
Antha Williams (Chair)
Simon Lloyd
Jesper Nygård (to 27 February 2017)
Jemma Read
Anne Skovbro Andersen (from 27 February 2017)

Company Secretary

Kevin Austin (from 22 May 2017)

Auditors: KPMG LLP, 15 Canada Square, London E14 5GL
Bankers: NatWest Bank, 94 Moorgate, London, EC2M 6UR
Solicitors: Bates Wells Brasher, 10 Queen Street Place, London, EC4R 1BE
Foreword from Antha Williams, Chair and Mark Watts, Executive Director

We are pleased to present the first Annual Report and Accounts for C40 Cities Climate Leadership UK (C40 Cities UK), for the period from incorporation to 31 December 2017.

Whilst these accounts are for a fifteen-month period, starting from our date of incorporation as a company in September 2016, C40 Cities UK was not registered as a charity in England and Wales until May 2017. We began operating on 1 October 2017, so the figures presented in the accounts represent a three-month period of financial activity. In the narrative report, however, we have commented on the activities and achievements of the global C40, to which C40 Cities UK contributes, for the whole of 2017.

We are pleased to have C40 Cities UK operating and now employing around 65 staff in the UK.

The C40 network globally is focusing on its core mission of addressing climate change, with a primary focus in 2017-2020 to enable every member city to have developed an action plan that includes both mitigation and adaptation action consistent with the 1.5 °C target of the Paris Agreement, and to be on track to deliver it. This programme is called Deadline 2020. C40 has included this commitment in its Participation Standards for membership so that by the end of 2020 all C40 cities will have published, be delivering and be measured against robust climate change action plans consistent with keeping global temperature rise within 1.5 °C.

Other global strategic goals for this business plan period are to engage mayoral leadership; accelerate climate action through peer-to-peer exchange and direct support; remove barriers to city climate action; and provide global thought leadership, agenda-setting communications and world class events.

New programmes for the C40 network in 2017 included Women4Climate and Reinventing Cities. Women4Climate includes a global mentorship programme to empower and inspire the next generation of climate leaders. Reinventing Cities is a call for urban projects from across the globe that present innovative pathways to carbon-neutrality and regeneration which, when implemented, will transform under-utilised sites into beacons of sustainability and resilience.

As described in the Achievements and Performance section of the report, during 2017 C40 globally has increased its impact, and ended the year with 92 member cities.

There has been significant focus this period on getting C40 Cities UK up and running, and putting processes and procedures in place for its management and governance. The company has been granted both restricted and unrestricted funds by C40 Cities Climate Leadership Group Inc. (C40 Inc) for 2017 and for 2018, and is financially secure.

We extend our thanks to the Trustees and to our dedicated staff team. We are very privileged to work with such talented individuals and are very confident that C40 Cities UK will continue to go from strength to strength in the year ahead.

Antha Williams, Chair
Mark Watts, Executive Director
Strategic Report and Report of the Board of Trustees for the Period Ended 31 December 2017

The Trustees present their annual report and financial statements of the charity for the period ended 31 December 2017. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland, published on 16 July 2014.

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 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 Inc is a network of over 90 of the world’s megacities committed to addressing climate change. The mayors of C40 Inc’s member cities elect representatives to a Steering Committee, which sets the strategic direction of C40 Inc and elects C40’s Chair from its members. Paris Mayor, Anne Hidalgo, is currently the Chair of C40 Inc’s Steering Committee. C40 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 and CEO of Bloomberg LP and former Mayor of New York City, is the President of the C40 Inc Board of Directors.

Charity Activities
The charity’s income is comprised of donations from funders, primarily C40 Inc. C40 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 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 no benefit was received 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, and training as needed thereafter.
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 note the gender diversity of the Board.

**Trustee Meetings**
Trustees met formally three times during the period, at which meetings they established policies and procedures for the company, appointed its bankers and auditors, approved the 2017 and 2018 budgets, approved grant income, approved the charity’s contribution to C40’s global 2017-2020 Business Plan and received reports from the Executive Director on C40’s global progress against its goals. Trustees also receive updates on the charity’s activities and delivery and those of the wider network between meetings as appropriate. Now that C40 Cities UK is operational, Board meetings will include a review of its management accounts against budget.

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 Inc, and to a global Management Team which includes employees of both C40 Cities UK and C40 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 (from July 2017)
- **Director of Governance & Global Partnerships**: Andrea Fernandez
- **Director of Regions**: Simon Hansen
- **Director of Global Initiatives**: Shannon Lawrence
- **Director of Communications**: Hervé Marro
- **Director of Science and Innovation**: Seth Schultz (to March 2018)

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

**Risk Management**
C40 Cities UK has only been operational for a few months, and is developing its risk management processes. However, the Trustees have conducted a review of the major risks to which the charity is exposed. A risk register for C40 globally was developed during 2017 and is now being reviewed and updated by the Management Team on a quarterly basis. The Management Team monitors risks and, where possible, takes steps to mitigate them, including obtaining insurance where appropriate.

For all items listed in the risk register, systems and procedures have been put in place to mitigate the risks which the charity faces. The most significant risk faced by the charity is:
<table>
<thead>
<tr>
<th>Risk identified</th>
<th>Control procedure</th>
<th>Monitoring process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentration of funding – 80% of C40 Cities UK’s funding in the period was from C40 Inc, and the 2018 budget indicates a similar concentration of funding.</td>
<td>This risk is mitigated by the strong relationship C40 Cities UK maintains and expects to continue to maintain with C40 Inc, and by the commitment from C40 Inc to support C40 Cities UK’s statutory and contractual costs (see Reserves Policy). After the period end, C40 Inc and C40 Cities UK signed a Cooperation Agreement recording their ongoing relationship to strengthen their joint efforts in the service of environmental issues and promote joint working between the parties.</td>
<td>This will be monitored through a review of the risk register by Management Team and by Trustees at future Board meetings.</td>
</tr>
</tbody>
</table>
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

The Trustees confirm that they have referred to the guidance contained in the Charity Commission’s general guidance on public benefit when reviewing the charity’s aims and objectives and in setting the grant making plans for the period.

Mission
C40 is a network of the world’s megacities committed to addressing climate change. C40 supports cities to collaborate effectively, share knowledge and drive meaningful, measurable and sustainable action on climate change. C40 connects more than 90 of the world’s greatest cities, representing over 700 million people and one quarter of the global economy. Created and led by cities, C40 is focused on tackling climate change and driving urban action that reduces greenhouse gas emissions and climate risks, while increasing the health, wellbeing and economic opportunities of urban citizens.

The C40 Business Plan for 2017-2020 was approved in late 2015 by the Steering Committee and Board of C40 Inc as a collaborative strategy for advancement of the common mission of organisations within the global C40 network. It sets out a bold agenda, with its central focus to enable every C40 mayor to commit to a climate action plan for their city in line with what is needed to deliver the Paris Agreement. The Business Plan sets out C40’s core aims, and maps out how they will be delivered. C40’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.

This Business Plan will advance C40 Cities UK’s charitable objects, and the C40 Cities UK Board agreed to adopt it as the initial strategy of the charity, to be implemented in co-operation with C40 Inc, the wider network of C40 entities and other partner organisations. The Trustees believe that this approach will maximise the initial charitable impact of C40 Cities UK by working in partnership with other C40 entities, and with other organisations to advance its charitable objects, which are global in nature.

The 2017-2020 Business Plan sets out how C40 will support member cities to achieve their targets through five goals:
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

Achievements and Performance

C40 Cities UK commenced operations on 1 October 2017, when the employment of C40 staff based in the UK, who had previously worked for C40 Inc through a professional employment organisation, was transferred to C40 Cities UK. C40 Cities UK only operated for the final three months of the period but, during that time, it contributed to the implementation of the C40 2017-2020 Business Plan goals, in support of its charitable objects. C40 Inc and C40 Cities UK work in co-operation to maximise impact to advance their compatible objects which are global in nature.

In 2017, C40 Inc monitored performance linked to its five goals. C40 Cities UK contributed to these achievements from 1 October 2017, when operations commenced.

Goal 1: Engage mayoral leadership – mayors are engaged and show leadership in the climate change agenda
- In 2017 C40 took forward its Deadline 2020 programme, through which cities commit to develop and implement a climate action plan that will deliver action consistent with the ambitions of the Paris Agreement, leading to GHG emissions neutrality by 2050.
- C40 launched the C40 Fossil-Fuel-Free Streets Declaration. By the end of 2017 12 cities had signed up to this declaration: Auckland, Barcelona, Cape Town, Copenhagen, London, Los Angeles, Mexico City, Milan, Paris, Quito, Seattle and Vancouver. Through the Declaration, the mayors pledged to work with partners to procure only zero-emission buses from 2025 and ensure that major areas of their cities are zero emission by 2030.

Goal 2: Support cities to prepare robust climate inventories, targets and plans consistent with 1.5 °C target
- C40’s Climate Action Planning Programme is designed to help cities develop or update their climate action plans in line with the objectives of the Paris Agreement. The technical assistance, delivered by C40 in partnership with expert city climate planners, covers a wide range of support including training, workshops, peer to peer collaboration, stakeholder engagement, planning tools and research.

Goal 3: Accelerate climate change actions and reduce costs through peer-to-peer exchange and direct support in the C40 network
- Working across multiple sectors and issues, C40 convenes peer-to-peer best-practice sharing networks which provide 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 networks help cities replicate, improve and accelerate climate action and, through C40 networks, city practitioners from around the world advise and learn from one another about the successes and challenges of implementing climate action. Network interactions and C40 communications provide a platform for cities to showcase their climate action solutions and inspire their city peers. C40 networks also help cities engage with technical experts and undertake collective actions that demonstrate the power of cities working together.

Goal 4: Remove barriers to action – key barriers to climate action are removed
- The C40 Finance Facility supports C40 cities in developing and emerging countries to prepare and deliver sustainable, low carbon and climate adaptation projects.
In December 2017 C40 launched Reinventing Cities, a global competition to drive carbon neutral and resilient urban regeneration. 19 cities have identified a total of 49 underutilised sites available for development, and developers, architects, environmentalists and creative minds have been invited to collaborate and compete for the opportunity to transform these sites into beacons of sustainability and resiliency.

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

- C40’s overall media position strengthened during the period, with the number of social media users increasing as follows: Twitter from 43.6K to 65.2K (49% increase), Instagram from 2.6K to 8.9K (242% increase) and Facebook from 12.9K to 21.9K (70% increase).

How C40’s Activities Deliver Public Benefit

The beneficiaries of the charity are the general public /mankind. The charity’s Trustees have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Commission.

Grant making policy

The charity’s policy is to make grants to organisations internationally with similar objects to those of the charity to enable it work globally.

Fundraising

C40 has a small global fundraising team focused on securing income to enable C40 globally to deliver its programmes for reducing climate change and its impacts. The majority of C40 Cities UK’s income was granted by C40 Inc, but C40 Cities UK also successfully secured two other grants in 2017. C40 Cities UK does not use third party fundraising organisations, nor does it carry out telephone or direct mail fundraising.

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, as well as aligning the interests of all with the interests of the Board of Trustees. Depending on the company’s performance and financial position, and the level of inflation, the Management Team will aim to, at their discretion, offer all staff an annual cost of living increase to their salary. 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. As the Executive Director works globally, his remuneration is set by the Trustees in agreement with the Board of C40 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 6.
Review of Financial Position

Fund balance, income and expenditure

During the period, income of £1,921,833 was received and expenditure of £1,411,583 was incurred, resulting in net movement in funds of £510,250.

At 31 December 2017, the funds of the charity therefore stood at £510,250, of which £246,575 were unrestricted and £263,675 were restricted.

Reserves and Investment Policy

C40 Cities UK holds financial reserves to be applied to future activities:

- Unrestricted reserves are available to be applied, at the discretion of the Trustees, to any of C40’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 Inc. C40 Cities UK requests and receives its grant income from C40 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 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 23 October 2017. This commitment equates to approximately two months’ expenditure.

Given the commitment it has received from C40 Inc, C40 Cities UK believes that its unrestricted reserves should be one month’s expenditure. Expenditure during the period of operation from October to December 2017 averaged £465,000 per month and, based on the 2018 budget, C40 Cities UK seeks to hold unrestricted reserves in the region of £500,000. As at 31 December 2017, unrestricted reserves were £246,575; the cash balance, however, was £2,682,795 due to a grant payment of £2,350,000 (of which £1,578,345 was unrestricted and £771,655 restricted) received from C40 Inc in 2017 in respect of 2018.

Trustees believe that unrestricted reserves stand at a satisfactory level, in the light of the adopted policy and the fact that C40 Cities UK only commenced operations in October 2017. However, working with C40 Inc and potential future funders, they will try to increase unrestricted reserves to a level in line with the policy where possible to improve the ratio of reserves to annual planned expenditure.

At present, the charity has no investments but, as unrestricted reserves increase, the Trustees will review the need for a comprehensive investment policy.
Funding Sources
The charity's funding to date has substantially comprised donations from C40 Inc. Its income for 2017 also included restricted grants from two other funders, Climate KIC and L'Oréal, and in-kind support from Bloomberg L.P.

Cash held on deposit
An interest-bearing bank account was opened in December 2017, and grant funds received from C40 Inc in advance of expenditure were placed on Treasury deposit in January 2018.
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.
Plans for Future Periods

The global priorities for the C40 network in 2018, as agreed between the member organisations in advancement of their common mission, have been designed to ensure delivery of the 2017-2020 Business Plan, in particular supporting cities to deliver Paris compliant climate action plans whilst continuing best-practice sharing and direct support in key areas such as building energy efficiency. With the available budget, C40 Cities UK will contribute to the delivery of the elements described below in 2018.

Goal 1 – Engage Mayoral Leadership
In 2018, C40 will continue to work with those mayors who wish to make an active and high profile contribution in support of climate action, with a focus on the C40 Vice Chairs (members of the C40 Inc Steering Committee). Much of this work is carried out by C40 Cities UK through the Executive Director and his team, and by those members of the Communications and Events team who are based in London.

GOAL 2: Support cities to prepare robust climate inventories, targets and plans
In 2018, C40 is planning to devote significant additional resource to supporting cities in Latin America, South East Asia and Africa to develop their climate action plans. The pilot cities Deadline 2020 programme is on track to be completed by mid-2018, meaning the learning can be shared with other cities worldwide. The programme is supported by C40 Cities UK staff in project management and administrative roles.

GOAL 3: Accelerating action through peer-to-peer exchange and ramping up direct support
Each Network will continue to deliver regular webinars and calls, an annual workshop and, in some cases, collective projects where there are common city interests and available resources with much of this work carried out by C40 Cities UK. Air pollution has become a priority in many cities, and C40 is expanding its work on air quality, including the co-benefits of air quality and climate change.

GOAL 4: Removing barriers to climate action
The C40 Cities Finance Facility, work undertaken substantially by C40 Cities UK, will continue to support cities to access to finance in 2018, as research has identified this as a barrier to climate action. C40 will ensure that cities have the connections and can access the legal/financial support and transactions advice necessary to unlock capital funding to deliver major low carbon infrastructure projects. Through the Women4Climate mentoring programme we will, in particular, support women climate leaders.

GOAL 5: Delivering global thought leadership, agenda setting communications and world class events
Cities are now, more than ever, leading global efforts to tackle climate change, so C40 continues to devote significant resources to city diplomacy, work undertaken primarily by C40 Cities UK.

We need to ensure all cities, not just C40 cities, have access to knowledge and resources. To achieve this C40 is building a Knowledge Hub to ensure the best and most valuable knowledge is captured and made available, is easily understandable and is actionable by all city Mayors and officials. Much of this work will be carried out by C40 Cities UK.
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 June 2018 and signed on its behalf by:

Antha Williams
Chair

16 June 2018
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 period ended 31 December 2017 which comprise the Statement of Financial Activities, Balance Sheet and Statement of Cash Flows and related notes, including the 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 2017 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors 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 nothing to report in these respects.

Trustees’ responsibilities
As explained more fully in their statement set out on page 3, 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.

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.

[Signature]
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5QL
29th June 2018
Statement of Financial Activities (Including Income and Expenditure Account) for the period ended 31 December 2017

<table>
<thead>
<tr>
<th>Income from:</th>
<th>2017 Unrestricted Funds £</th>
<th>2017 Restricted Funds £</th>
<th>2017 Total Funds £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations</td>
<td>1,251,208</td>
<td>656,665</td>
<td>1,907,873</td>
</tr>
<tr>
<td>Trading activities</td>
<td>13,226</td>
<td>-</td>
<td>13,226</td>
</tr>
<tr>
<td>Other income</td>
<td>734</td>
<td>-</td>
<td>734</td>
</tr>
<tr>
<td>Total Income</td>
<td>1,265,168</td>
<td>656,665</td>
<td>1,921,833</td>
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<table>
<thead>
<tr>
<th>Expenditure on:</th>
<th></th>
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<tbody>
<tr>
<td>Raising funds</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Charitable activities</td>
<td>1,008,502</td>
<td>373,830</td>
<td>1,382,332</td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>1,037,753</td>
<td>370,830</td>
<td>1,411,583</td>
</tr>
</tbody>
</table>

Net Income/Expenditure for the period

<table>
<thead>
<tr>
<th>Net Income/Expenditure for the period</th>
<th>2017 Unrestricted Funds £</th>
<th>2017 Restricted Funds £</th>
<th>2017 Total Funds £</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>227,415</td>
<td>282,835</td>
<td>510,250</td>
</tr>
</tbody>
</table>

| Transfers between funds             |                           |                         |                    |
| Net Movement in funds               | 19,160                    | (19,160)                |                    |
| Reconciliation of funds             | 246,575                   | 263,675                 | 510,250            |

Funds brought forward

| Total funds carried forward         | 246,575                   | 263,675                 | 510,250            |

All incoming resources and resources expended derive from continuing activities.
## Balance sheet at 31 December 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>Note</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td>£</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>7</td>
<td>14,370</td>
</tr>
<tr>
<td>Tangible Assets</td>
<td>8</td>
<td>1,922</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td>£</td>
</tr>
<tr>
<td>Debtors</td>
<td>9</td>
<td>376,656</td>
</tr>
<tr>
<td>Cash at Bank and In Hand</td>
<td></td>
<td>£</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,682,795</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,059,451</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td>£</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>10</td>
<td>2,565,493</td>
</tr>
<tr>
<td><strong>NET CURRENT ASSETS</strong></td>
<td></td>
<td>£</td>
</tr>
<tr>
<td></td>
<td></td>
<td>493,958</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td></td>
<td>£</td>
</tr>
<tr>
<td></td>
<td></td>
<td>510,250</td>
</tr>
</tbody>
</table>

These financial statements were approved by the board of Trustees on 16 June 2018 and were signed on its behalf by:

Jemma Read, Trustee
Statement of Cash Flows

For the period ending 31 December 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>2,704,261</td>
</tr>
<tr>
<td>(21,466)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,682,795</td>
</tr>
<tr>
<td></td>
<td>2,682,795</td>
</tr>
</tbody>
</table>

Cash inflow from operating activities:
Net cash provided by operating activities

Cash flows from investing activities:
Purchase of fixed asset

Change in cash and cash equivalents in the reporting period

Cash and cash equivalents at the beginning of the reporting period
Cash and cash equivalents at the end of the reporting period
Notes to the Accounts

(forming part of the financial statements)

1) Accounting Policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the period.

a) Basis of Accounting

The financial statements have been prepared on the basis of historical cost in accordance with applicable accounting standards and with 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 the FRS 102 accounting framework. The date of transition to FRS102 was 1 July 2014.

The principal accounting policies adopted are set out below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the charity's financial statements.

The accounts are prepared on a going concern basis. The Trustees consider there to be no material uncertainties affecting the charity's ability to continue operating for at least 12 months beyond the date of approval of these statutory accounts. The most significant risk is the relationship with C40 Inc, however that company 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 23 October 2017. This commitment equates to approximately two months' expenditure. (see risk management section for more information).

b) Fund Accounting

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objects of the charity.

c) Income

All 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. The following policies are applied to particular categories of income:

Voluntary income, grants, is received by way of donations and is included in full in the Statement of Financial Activities when it becomes due.

Donations of services in-kind are included at the value to the charity.

d) Expenditure and irrecoverable VAT

The cost of generating funds includes the salaries of fundraising staff and the direct costs associated with generating income.

Costs of charitable activities comprise direct expenses incurred on the defined goals of the charity and include direct staff costs attributable to the activity.
Support costs are those costs incurred directly in support of expenditure on the objects of the charity. Support costs are apportioned between the goals pro-rata with the proportion of full time equivalent staff of C40 globally. No support costs are apportioned to the costs of generating funds as the amounts would be immaterial.

Expenditures are accounted for inclusive of any VAT.

e) Fixed Assets

Computer and other equipment are stated at cost less accumulated depreciation. Depreciation is recognised on a straight-line basis over an estimated useful life of three years. Assets are capitalised if their cost is in excess of £1,500.

f) Donations in Kind

These comprise the value of administration support, primarily serviced office space and associated services, provided to the charity by Bloomberg L.P. The value of the office space is based on the costs per square foot derived from local rental costs.

g) Governance Costs

These include the costs of the annual audit and the cost of any legal advice given to the trustees on governance or constitutional matters.

2) Income from donations and donations in-kind

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

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted Funds</th>
<th>Restricted Funds</th>
<th>Total 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant income</td>
<td>£ 1,091,600</td>
<td>£ 656,665</td>
<td>£ 1,748,265</td>
</tr>
<tr>
<td>In-kind income</td>
<td>£ 159,608</td>
<td>-</td>
<td>£ 159,608</td>
</tr>
<tr>
<td><strong>Total income from donations and donations in-kind</strong></td>
<td><strong>£ 1,251,208</strong></td>
<td><strong>£ 656,665</strong></td>
<td><strong>£ 1,907,873</strong></td>
</tr>
</tbody>
</table>

Further information about the grant income from C40 Inc is included in note 16.

Donations in-kind represents the costs of operating the charity's office. These were borne by C40 Inc, through provision from Bloomberg L.P. for October 2017, and by Bloomberg L.P. for November and December 2017 to ensure that 100% of the charity's income is available for its mission.
3) Expenditure on charitable activities
The analysis of these expenses for the financial period is as follows:

<table>
<thead>
<tr>
<th>Goal</th>
<th>2017 Direct costs</th>
<th>2017 Allocation of support costs</th>
<th>2017 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal 1: Engage mayoral leadership</td>
<td>90,817</td>
<td>69,124</td>
<td>159,941</td>
</tr>
<tr>
<td>Goal 2: Support cities to prepare robust climate inventories, targets and plans</td>
<td>117,078</td>
<td>53,414</td>
<td>170,492</td>
</tr>
<tr>
<td>Goal 3: Accelerate action through peer-to-peer exchange and direct support</td>
<td>275,035</td>
<td>131,965</td>
<td>407,000</td>
</tr>
<tr>
<td>Goal 4: Remove barriers to city climate action</td>
<td>124,634</td>
<td>25,136</td>
<td>149,770</td>
</tr>
<tr>
<td>Goal 5: Provide global thought leadership, agenda-setting communications and world class events</td>
<td>400,867</td>
<td>94,261</td>
<td>495,128</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,008,431</strong></td>
<td><strong>373,900</strong></td>
<td><strong>1,382,331</strong></td>
</tr>
</tbody>
</table>

Support costs have been allocated based on full-time equivalent headcount of C40 globally.

**Total Expenditure includes:**

- **Governance costs:**
  - Audit costs: £12,000
  - Legal costs: £26,596
  - **Total Governance costs**: £38,596

- Depreciation and amortisation: £5,174
- Foreign exchange (gains) / losses: £8,468

4) Trustee Remuneration & Related Party Transactions
No Trustees received any remuneration during the period and no Trustee expenses were reimbursed.

Two Trustees are also Directors of C40 Inc. Income of £1,527,608 reported in the Statement of Financial Activities is from C40 Inc, representing 80% of total income (see note 16).

As disclosed elsewhere, C40 Cities UK enjoys the benefit of office space provided by Bloomberg L.P. Two Trustees are employees of Bloomberg. Bloomberg Philanthropies is a donor of C40 Inc.

No Trustees or other person related to the charity had any personal interest in any contract or transaction entered by the charity during the period.

5) Employees
Staff costs during the year were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>£773,373</td>
</tr>
<tr>
<td>Social security costs</td>
<td>£77,678</td>
</tr>
<tr>
<td>Pension costs</td>
<td>£29,983</td>
</tr>
<tr>
<td>Staff costs recharged to C40 Inc</td>
<td>(£95,324)</td>
</tr>
<tr>
<td>Staff recharged from C40 Inc</td>
<td>£117,165</td>
</tr>
<tr>
<td><strong>Total staff costs</strong></td>
<td>£902,875</td>
</tr>
</tbody>
</table>
No employees earned in excess of £60,000, as the company was only operational for the final three months of the period. No amounts in relation to redundancy are included in the costs presented above.

The average number of employees calculated on a monthly average headcount was 58.

The total remuneration paid to key management personnel during the period, including pensions costs and healthcare, was £175,445, of which £152,640 is included Total staff costs for the period.

C40 Cities UK staff are auto-enrolled into a defined contribution pension scheme operated by Royal London. Employee contributions are matched by employer contributions to a maximum of 6%. Royal London provides staff with the option to invest in several specialist funds that do not hold direct investments in companies whose purpose is to extract fossil fuels.

No Trustee received reimbursement of expenses during the period. The charity Trustees are covered by a Trustee indemnity policy, through the global insurance policy held by C40 Inc, the cost of which is not separately identifiable.

6) Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

7) Intangible Assets

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>19,160</td>
</tr>
<tr>
<td>Cost at 31 December</td>
<td>19,160</td>
</tr>
<tr>
<td>Amortisation</td>
<td></td>
</tr>
<tr>
<td>Charge for the year</td>
<td>(4,790)</td>
</tr>
<tr>
<td>Amortisation at 31 December</td>
<td>(4,790)</td>
</tr>
<tr>
<td>Net Book Value at 31 December</td>
<td>14,370</td>
</tr>
</tbody>
</table>

8) Tangible Assets

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>2,306</td>
</tr>
<tr>
<td>Cost at 31 December</td>
<td>2,306</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
</tr>
<tr>
<td>Charge for the year</td>
<td>(384)</td>
</tr>
<tr>
<td>Depreciation at 31 December</td>
<td>(384)</td>
</tr>
<tr>
<td>Net Book Value at 31 December</td>
<td>1,922</td>
</tr>
</tbody>
</table>
9) Debtors

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors – donations receivable</td>
<td>£165,329</td>
</tr>
<tr>
<td>Accrued income</td>
<td>£96,162</td>
</tr>
<tr>
<td>Prepayments</td>
<td>£17,447</td>
</tr>
<tr>
<td>Due from C40 Inc</td>
<td>£96,157</td>
</tr>
<tr>
<td>Sundry debtors</td>
<td>£1,561</td>
</tr>
<tr>
<td><strong>Total Debtors</strong></td>
<td><strong>£376,656</strong></td>
</tr>
</tbody>
</table>

10) Creditors: amounts falling due within one year

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Creditors</td>
<td>£38,550</td>
</tr>
<tr>
<td>Accruals</td>
<td>£87,799</td>
</tr>
<tr>
<td>PAYE and National Insurance</td>
<td>£89,144</td>
</tr>
<tr>
<td>Deferred income</td>
<td>£2,350,000</td>
</tr>
<tr>
<td><strong>Total Creditors</strong></td>
<td><strong>£2,565,493</strong></td>
</tr>
</tbody>
</table>

Deferred income relates to a grant from C40 Inc to C40 Cities UK which was paid in December 2017 but relates to 2018.

11) Movement in Funds

<table>
<thead>
<tr>
<th></th>
<th>Income</th>
<th>Expenditure</th>
<th>Transfers</th>
<th>As at 31 Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Restricted Funds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C40 Inc</td>
<td>£408,400</td>
<td>(£293,452)</td>
<td></td>
<td>£114,948</td>
</tr>
<tr>
<td>Climate KIC</td>
<td>£82,936</td>
<td>(£64,397)</td>
<td>(£19,160)</td>
<td>(£621)</td>
</tr>
<tr>
<td>L’Oréal</td>
<td>£165,329</td>
<td>(£15,981)</td>
<td>(£19,160)</td>
<td>£149,348</td>
</tr>
<tr>
<td><strong>Restricted Funds</strong></td>
<td>£656,665</td>
<td>(£373,830)</td>
<td>(£19,160)</td>
<td>£263,675</td>
</tr>
<tr>
<td><strong>Unrestricted funds</strong></td>
<td>£1,265,168</td>
<td>(£1,037,753)</td>
<td>£19,160</td>
<td>£246,575</td>
</tr>
<tr>
<td><strong>TOTAL FUNDS</strong></td>
<td>£1,921,833</td>
<td>£1,411,583</td>
<td></td>
<td>£510,250</td>
</tr>
</tbody>
</table>

Transfers reflect intangible assets bought from restricted funds, but transferred to unrestricted on capitalisation.

12) Restricted funds

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

- **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 Reinventing Cities project
13) Analysis of net assets between funds

<table>
<thead>
<tr>
<th>Fund balances at 31 December 2017 are represented by:</th>
<th>Unrestricted funds £</th>
<th>Restricted funds £</th>
<th>Total 2017 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible fixed assets</td>
<td>14,370</td>
<td>-</td>
<td>14,370</td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>1,922</td>
<td>-</td>
<td>1,922</td>
</tr>
<tr>
<td>Current assets</td>
<td>2,024,121</td>
<td>1,035,330</td>
<td>3,059,451</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>(1,793,838)</td>
<td>(771,655)</td>
<td>(2,565,493)</td>
</tr>
<tr>
<td>TOTAL NET ASSETS</td>
<td>246,575</td>
<td>263,675</td>
<td>510,250</td>
</tr>
</tbody>
</table>

14) Reconciliation of net movement in funds to net cash flow from operating activities

Reconciliation of net movement in funds to net cash flow from operating activities

Net income for the reporting period

<table>
<thead>
<tr>
<th>Adjustments for:</th>
<th>Net cash provided by operating activities £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortisation charge</td>
<td>5,174</td>
</tr>
<tr>
<td>(Increase)/ Decrease in debtors</td>
<td>(376,656)</td>
</tr>
<tr>
<td>Increase / (decrease) in creditors</td>
<td>2,565,493</td>
</tr>
<tr>
<td></td>
<td>2,704,261</td>
</tr>
</tbody>
</table>

15) Liability of member

The liability of the member is limited to £1.

16) Associated Charities and related parties

The sole member of C40 Cities UK is C40 Cities Climate Leadership Group Inc (C40 Inc), a non-stock, non-profit corporation registered in the state of Delaware. C40 Cities and C40 Inc have developed a process for recharging costs where C40 Cities UK staff perform work which is related solely to C40 Inc and not to common global goals, and vice versa, and therefore the expenditure included in these accounts is only that which relates to C40 Cities UK. During the period, C40 Cities UK received grant income from C40 Inc totalling £1,527,608, being: unrestricted grant income of £1,091,600; restricted grant income of £408,400; and in-kind support of £27,608. C40 Cities UK provided C40 Inc with services being staff time in the amount of £95,324, and C40 Inc provided C40 Cities UK with services being staff time in the amount of £117,165. C40 Inc met the costs of IT equipment, travel and professional fees on C40 Cities UK’s behalf in the amount of £240,503. C40 Cities UK purchased its initial IT equipment from C40 Inc at a cost of £33,361. As at 31 December 2017, £96,157 was payable to C40 Cities UK by C40 Inc.

During the period, C40 Inc also established C40 Cities Climate Leadership South Africa NPC, of which it is the sole member. There were no transactions between this company and C40 Cities UK during the period.