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**THE GENERATION FOUNDATION  
(A COMPANY LIMITED BY GUARANTEE)**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

**COMPANY REGISTRATION NUMBER: 05536312**

**CHARITY REGISTRATION NUMBER: 1113061**



**COMPANIES HOUSE  
EDINBURGH**

**03 SEP 2019**

**FRONT DESK**

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## FOUNDATION DETAILS

## FOUNDATION DETAILS

## Bankers

Royal Bank of Scotland  
62/63 Threadneedle Street  
London  
EC2R 8LN

## Independent auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

## Registered Office

20 Air Street  
London  
W1B 5AN

## Lawyers

Bates Wells & Braithwaite London LLP  
10 Queen Street Place  
London  
EC4R 1BE

## BOARD OF TRUSTEES

D W Blood (Appointed 13 February 2019)  
D J Austin (Resigned 10 December 2018)  
K Dicker  
E Gilmore  
P M Harris (Resigned 10 December 2018)  
P I Harris (Appointed 13 February 2019)  
H A Mehn (Resigned 10 December 2018)  
R Rajeswaran (Appointed 28 June 2018)  
L M Preston  
Z Yin

**TRUSTEES' ANNUAL REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2018

The Trustees present their report and audited financial statements of The Generation Foundation for the year ended 31 December 2018. This Trustees' Report, required by Part VI of the Charities Act 2011, is also the Directors' Report prepared in accordance with Section 234 of the Companies Act 2006.

**GOVERNANCE**

The Generation Foundation (the "Company" or "Foundation") is a company limited by guarantee (No. 05536312), incorporated on 15 August 2005, and registered with the Charity Commission (No. 1113061) on 22 February 2006. The Company was established under a Memorandum of Association, which established the objects and powers of the Company and is governed under the Articles of Association.

The Foundation is administered and managed on a regular basis by the Board of Trustees. The Board is responsible for appointing new Trustees who possess the required expertise.

Details of the Foundation's advisors and other administrative details can be found on page 2.

**TRUSTEES**

The members of the Board of Trustees (the "Board") who were in office during the year and up to the date of signing the financial statements are set out on page 2. For the purposes of company law the individuals listed are both Trustees and Directors of the Company and are appointed in accordance with the Company's Articles of Association.

**TRUSTEE INDUCTION AND TRAINING**

A new Trustee is provided with sufficient information explaining the legal obligations of Trustees, the Foundation's governing document, the most recent annual report and financial statements and any relevant Charity Commission guidance notes.

**GUIDING FRAMEWORK**

The Generation Foundation advocates for a more sustainable economic system; one that is aligned with a low-carbon, prosperous, healthy, safe and fair society. This system is Sustainable Capitalism. Sustainable Capitalism is an economic system within which business and trade seek to maximise long-term value creation, accounting for all material environmental, social and governance ("ESG") metrics. Integral to this framework is the consideration of all costs and benefits, regardless of whether they are currently attributed with an economic price tag by society.

**OBJECTIVES**

The objectives of the Foundation are:

1. To advance the education of the public and organisations (profit and non-profit) in subjects related to 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.
2. To promote sustainable development for the benefit of the public by: the preservation, conservation and the protection of the environment and the prudent use of natural resources; the relief of poverty and the improvement of the conditions of life in socially and economically disadvantaged communities; and the promotion of sustainable means of achieving economic growth and regeneration.
3. To advance the education of the public in business ethics and related subjects with particular reference to the study and application of ethical standards; and the management and conduct of industry and business generally in the UK and elsewhere and to the development of corporate social responsibility

and community involvement in the practices of industry and commerce both nationally and internationally

4. To advance any other purposes that are charitable under the laws of England and Wales
5. To support Generation Investment Management LLP ("Generation") employees' philanthropic endeavours through a matched giving programme.

## ACTIVITIES

The Foundation's mission is to accelerate the transition to a more sustainable form of capitalism; one aligned with a low-carbon, prosperous, healthy, safe and fair society.

The Foundation executes its mission through its research, major partnerships, grant-making, and the matched giving programme for Generation employees. In 2018, the Foundation produced research and provided grants in line with the strategic priorities laid out in its white papers, *Allocating Capital for Long-term Returns* (2015) and *The Transformation of Growth* (2017). Those strategic priorities are:

- Carbon Pricing: Assess carbon risk and price carbon in all capital allocation decisions.
- Fiduciary Duty: Uphold the full remit of fiduciary duty by incorporating ESG risks and opportunities in investment decision-making.
- Transformation of Growth: ensure that the transition to a low-carbon economy benefits all members of society and develop the business case for addressing socio-economic inequality.

The Foundation is funded by Members of Generation Investment Management LLP from Generation's net distributable profit. During the year to 31 December 2018 the Foundation recognised £7,691,447 (2017: £7,594,878) which is derived primarily out of the 2018 profits of the LLP.

## STRATEGIC GRANTS AT A GLANCE

Strategic grants are sourced by identifying organisations that align to the Foundation's strategic priorities. These grants fall into two categories: Major Grants, through which the Foundation partners with organisations to deliver research or programme outcomes; or Capacity Building Grants, in which unrestricted grants are provided to organisations that align to our strategic priorities and which could benefit from the freedom to innovate afforded by unrestricted core funding.



#### MAJOR PARTNERSHIP GRANTS

The Foundation funds research and delivers programmes aimed at overcoming barriers to a sustainable economy through partnerships with organisations and institutions across sectors and geographies (Note 5).

Carbon pricing and fiduciary duty continued to play a central role in the activities of the Foundation's major partnerships in 2018. It was a successful year for the application of research produced in partnership with grantees such as Navigant (formerly Ecofys) as well as the UN Environment Programme Finance Initiative (UNEP FI) and the UN-backed Principles for Responsible Investment (PRI). The latest publication in the *Carbon Pricing Unlocked* series with Navigant, a research paper on carbon pricing scheme design, was presented by the Foundation's Director at the 24<sup>th</sup> Conference of the Parties in Poland. Additionally, the Fiduciary Duty in the 21<sup>st</sup> Century project with UNEP FI and PRI continued to gain momentum. Research papers in key economies were produced, informed by market participants' perspectives. The research gained traction and was drawn upon by the architects of Europe's first Sustainable Finance Action Plan, who codified investors' duties to consider material ESG risks and opportunities in their legislative proposals. Actors in the global economy have begun to move swiftly on investor duties in recognition that ESG risks must be incorporated in investment decision-making. The Foundation's research focus in this space will now shift to an evaluation of financial regulatory landscapes and their compatibility with sustainability imperatives such as the restriction of global warming to 1.5 degrees, and the achievement of the UN Sustainable Development Goals.

One example of the Transformation of Growth strategy in action in 2018 was the initiation of an ambitious three-year partnership between the Foundation and Greyston Social Enterprise. Greyston is perhaps best known as the maker of brownies for Ben & Jerry's ice cream. Their ethos is that they "don't hire people to bake brownies; they bake brownies to hire people." Over the past 35 years Greyston has successfully created social value and profit using Open Hiring™, a simple strategy of hiring workers on a first-come-first-served basis, without background checks that preclude so many people from accessing meaningful work. This partnership seeks to expand on that success by funding Greyston's Center for Open Hiring, which will encourage more companies to use Open Hiring and further develop the business case for social value creation.

In 2019, the Foundation plans to further its advocacy for sustainable capitalism through ambitious efforts like these alongside complementary grant-making activities and research.

The Foundation awarded major partnership grants in 2018 totalling £2,806,182 (2017: £1,382,243).

#### CAPACITY BUILDING GRANTS

The other aspect of the Foundation's strategic grant-making is the provision of catalytic capital to build capacity for organisations doing crucial work for the advancement of sustainable capitalism.

Capacity building remained an important piece of the Foundation's work in 2018. These grants support organisations that are leading innovative work in the pursuit of Sustainable Capitalism. Unlike major partnerships, these grants not only have research or programmatic key performance indicators, instead they provide much needed core funding to enable great organisations to flourish.

In 2018, the Foundation made several Capacity Building Grants, including to the Just Transition Initiative, a project led by the London School of Economics' Grantham Research Institute on Climate Change and the Environment to design a programme of research and dialogue on investing in the just transition. The impact of the transition to a low-carbon economy will be toughest on the most vulnerable social groups. Failing to correct this could slow or even stall climate progress, while contributing to economic stagnation and political instability. Other recipients included ShareAction and the Crane institute, both fellow travellers which are helping to accelerate the transition to a sustainable form of capitalism.

The Foundation awarded capacity building grants in 2018 totalling £439,210 (2017: £1,014,336).

#### SUSTAINABLE COMMUNITY GRANTS

In the year, the Foundation continued to make select smaller grants to organisations operating in the field of Sustainable Capitalism, environmental protection, and sustainable development (see Note 5).

Smaller grant-making activities are driven by input from Generation employees. Generation team members may apply for a Sustainable Community Grant of up to £25,000 for their chosen charitable organisation where they have a demonstrable personal commitment. In this way, the Foundation encourages Generation's employees to support organisations and apply their skills and expertise to improving the communities they care about – anywhere in the world. One example of a grant in this category was Gather Hub whose mission is to improve access to sanitation in the developing world. Gather was awarded £25,000 to fund core business activities including adding permanent data-scientist resource to the small team.

The Foundation awarded Sustainable Community Grants in 2018 totalling £197,807 (2017: £334,216).

#### MATCHING EMPLOYEE CONTRIBUTIONS

The Foundation also matches charitable gifts and volunteer hours donated by Generation employees and members to eligible charities. This year, the Foundation matched donations at a 1:2 ratio (for every £1 donated to charity, the Foundation paid an additional £2 to that charity) and made an effort to raise awareness of the matched giving programme. This campaign succeeded in raising employee participation from 90% in 2017 to 96% in 2018.

During the year the Foundation made matched-giving awards totalling £557,399 (2017: £398,551).

#### PEOPLE

The average monthly number of employees who served during the year equates to one (2017: one). There was a second employee hired in December 2018.

#### OTHER MATTERS

The Trustees consider the funding sources and expenditure in the year have supported the key objectives of the Foundation. In setting the Foundation's objectives and planning its activities, the Foundation's Trustees have considered section four of the Charities Act 2011. In doing so they are satisfied that they have complied with their duty to have regard to the Public Benefit guidance published by the Charity Commission.

## RESPONSIBILITIES OF TRUSTEES

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 the Trustees have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

In preparing these financial statements, the Trustees are required to:

- > select suitable accounting policies and then apply them consistently;
- > observe the methods and principles in the Charities SORP;
- > make judgments 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
- > prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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 also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each Trustee in office at the date the Trustees' report is approved, confirm that:

- a) so far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- b) the Directors have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## PLANS FOR THE FUTURE

In the coming years, the Trustees anticipate the continued involvement of the Foundation with its charitable partners in support of their goals and the Foundation's objectives as outlined on page 3. The Foundation anticipates maintaining the current grant partnerships and adding new partnerships.

## RESERVES POLICY

The Trustees do not place restrictions on amounts of funds to be expended or retained in a given year. The total funds held by the Company at 31 December 2018 were £16,821,150 (2017: £13,474,828). All funds held were unrestricted.

## FINANCIAL REVIEW

The Trustees have assessed the major risks to which the Company are exposed, including those relating to financial, operational, compliance and governance issues. The Trustees review risks annually and are satisfied that systems are in place to mitigate exposure to those risks.



The most critical risk to the Foundation is the loss of funding from Generation, which supports the Foundation's objectives. If sufficient additional funding is not obtained this could restrict the Foundation's ability to grow further or means that grants and research activities may need to be scaled back. However, Generation has made an enduring commitment to support the Foundation.

#### PRINCIPAL FUNDING SOURCE

The Foundation's principal funding source is through donations of which a substantial proportion are recurring annually from the Members of Generation Investment Management LLP.

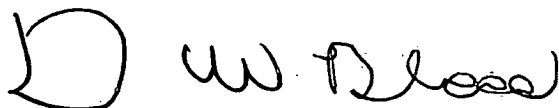
#### DONATIONS POLICY

The donations are made on a voluntary basis and are made at the discretion of the Members of Generation Investment Management LLP. The Foundation does not consider it appropriate at the current time to seek donations from the general public nor has it engaged any professional fund-raiser or commercial participator. Consequently, the Foundation has not joined any voluntary fundraising regulation scheme. The Foundation has not recorded any complaint regarding fundraising since inception.

#### GOING CONCERN

The Trustees believe that the Foundation is well placed to manage its business risks successfully and have a reasonable expectation that the Company has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Foundation financial statements.

Approved by the Board of Trustees on 30 July 2019 and signed on their behalf.



D W Blood  
Trustee  
30 July 2019

## INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE GENERATION FOUNDATION

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OUR OPINION

In our opinion, The Generation Foundation's financial statements (the "financial statements"):

- > give a true and fair view of the state of the charitable company's affairs as at 31 December 2018 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- > have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018, the statement of financial activities (including income and expenditure account), cash flow statement for the year then ended; and the notes to the financial statements.

#### BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### INDEPENDENCE

We remained independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### CONCLUSIONS RELATING TO GOING CONCERN

ISAs (UK) require us to report to you when:

- > the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- > the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the charitable company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the charity's activities, beneficiaries, suppliers and the wider economy.

#### REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing

so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *TRUSTEES' ANNUAL REPORT*

In our opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Trustees' Annual Report. We have nothing to report in this respect.

### **RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

#### *RESPONSIBILITIES OF THE TRUSTEES FOR THE FINANCIAL STATEMENTS*

As explained more fully in the Responsibilities of Trustees set out on page 7, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also 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.

In preparing the financial statements, the trustees are responsible for 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 the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

#### *AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *USE OF THIS REPORT*

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

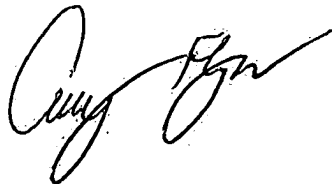
**Other required reporting**

**COMPANIES ACT 2006 EXCEPTION REPORTING**

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

- > we have not received all the information and explanations we require for our audit; or
- > adequate accounting records have not been kept by the Generation Foundation or returns adequate for our audit have not been received from branches not visited by us; or
- > certain disclosures of trustees' remuneration specified by law are not made; or
- > the Generation Foundation financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Guy Flynn (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
30 July 2019

## STATEMENT OF FINANCIAL ACTIVITIES

(INCLUDING INCOME AND EXPENDITURE ACCOUNT)

	NOTE	UNRESTRICTED TOTAL FUNDS FOR THE YEAR ENDED 31 DECEMBER 2018 £	UNRESTRICTED TOTAL FUNDS FOR THE YEAR ENDED 31 DECEMBER 2017 £
<b>INCOME AND ENDOWMENTS FROM:</b>			
Donations and legacies		7,691,447	7,594,878
Interest Income		21,014	2,362
<b>TOTAL</b>		<b>7,712,461</b>	<b>7,597,240</b>
<b>EXPENDITURE ON:</b>			
Charitable activities	4	(4,343,578)	(3,334,642)
Other Costs	4	(22,561)	(32,470)
<b>TOTAL</b>		<b>(4,366,139)</b>	<b>(3,367,112)</b>
<b>NET INCOME</b>		<b>3,346,322</b>	<b>4,230,128</b>
 <b>NET MOVEMENT IN FUNDS</b>		 <b>3,346,322</b>	 <b>4,230,128</b>
<b>RECONCILIATION OF FUNDS:</b>			
Total funds brought forward		13,474,828	9,244,700
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b>16,821,150</b>	<b>13,474,828</b>

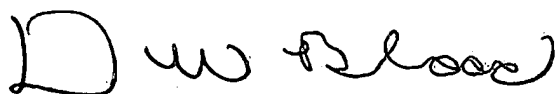
*The notes on pages 15-20 form part of these financial statements.*

## BALANCE SHEET

AS AT 31 DECEMBER 2018

	NOTE	31 DECEMBER 2018 £	31 DECEMBER 2017 £
<b>CURRENT ASSETS</b>			
Debtors	8	7,690,239	7,612,655
Cash at bank and in hand		12,715,131	7,932,601
<b>TOTAL CURRENT ASSETS</b>		<b>20,405,370</b>	<b>15,545,256</b>
<b>LIABILITIES</b>			
Creditors: Amounts falling due within one year	9	(2,775,483)	(2,030,367)
<b>NET CURRENT ASSETS</b>		<b>17,629,887</b>	<b>13,514,889</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>17,629,887</b>	<b>13,514,889</b>
Creditors: Amounts falling due after one year	10	(714,070)	-
Provision for liabilities	11	(94,667)	(40,061)
<b>NET ASSETS</b>		<b>16,821,150</b>	<b>13,474,828</b>
The funds of the charity:			
Unrestricted funds		16,821,150	13,474,828
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>16,821,150</b>	<b>13,474,828</b>

Approved by the Board of Trustees on 30 July 2019 and signed on their behalf:



D. Blood  
Trustee  
30 July 2019

The Generation Foundation (Company No: 05536312)

*The notes on pages 15-20 form part of these financial statements.*

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	FOR THE YEAR ENDED 31 DECEMBER 2018: £	FOR THE YEAR ENDED 31 DECEMBER 2017 £
Net Income for the reporting year (as per the Statement of Financial Activities)		3,346,322	4,230,128
Adjustments for:			
Increase in debtors	8	(77,584)	(3,100,178)
Increase in creditors	9,10	1,459,186	1,020,634
Increase in provisions	11	54,606	40,061
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>4,782,530</b>	<b>2,190,645</b>
Change in cash and cash equivalents in the year:		4,782,530	2,190,645
Cash at 1 January 2018		7,932,601	5,741,956
<b>CASH AT 31 DECEMBER 2018</b>		<b>12,715,131</b>	<b>7,932,601</b>

*The notes on pages 15-20 form part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

- a) The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and in accordance with the Companies Act 2006. The financial statements have also been prepared in accordance with the Charities Statement of Recommended Practice – Accounting and Reporting by Charities effective 1 January 2015, and the Charities Act 2011. The Charity is a public benefit entity.

The financial statements have been prepared on the going concern basis.

The other principal accounting policies, which have been applied consistently throughout the year, are set out below.

- b) Donations and legacies comprise a donation from Members of Generation Investment Management LLP equivalent to an annual allocation of distributable profit arising from Generation and is accounted for on an accruals basis.
- c) Interest income is recognised in the Statement of Financial Activities on an effective interest rate basis.
- d) Support costs entirely consist of governance costs which are those costs incurred to comply with constitutional and statutory requirements including related professional fees, and are accounted for on an accruals basis.
- e) As a registered charity, the Foundation is exempt from UK taxation on income and gains to the extent that these are applied in furtherance of its charitable objectives.
- f) Grant activities are payments made to third parties in the furtherance of the Foundation's charitable objectives. Single or multi-year grants are accounted for on an accruals basis when the recipient has a reasonable expectation that they will receive a grant and significant performance conditions are not attached.
- g) Matched giving awards are made to third parties in relation to eligible donations to charities by staff and members of Generation. Eligibility conditions are aligned with the charitable objectives of the Foundation.
- h) The Foundation is not registered for VAT. All expenditure is therefore stated inclusive of VAT where applicable.
- i) All of the funds of the Foundation are unrestricted. These may be used in accordance with the charitable objectives at the discretion of the Trustees.
- j) Provisions are recognised when the Foundation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.
- k) Transactions denominated in foreign currency are translated into sterling at the exchange rates ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. All foreign exchange gains and losses, realised and unrealised, are recognised in the Statement of Financial Activities.
- l) Debtors include amounts receivable on donations to which the Foundation is entitled. Debtors are measured at their recoverable amounts.



2. The preparation of financial statements in accordance with FRS 102 requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Information about these judgements and estimates is included in the accounting policies and other notes, the significant being:

- The consideration that the Trustees are the controlling Persons of the Foundation (Note 13);
- Recognition of grant obligations payable in later periods (Note 1 (f) and 5);
- Future obligations and provisions are not subject to discounting (Note 9, 10, 11);
- The allocation of support costs to the Grants awarded by the Foundation (Note 5).

### 3. Guarantees

The Foundation is a company in which the liability of the company member is limited to an amount not exceeding £10.

### 4. Charitable activities

ACTIVITY	CHARITABLE ACTIVITIES £	SUPPORT COSTS £	TOTAL 2018 £	TOTAL 2017 £
Charitable activities	4,343,578	22,561	4,366,139	3,367,112
	<b>4,343,578</b>	<b>22,561</b>	<b>4,366,139</b>	<b>3,367,112</b>

Governance costs are considered to be support costs. 100% of staff time was spent on charitable activities; staff costs have been allocated as such. Included within support costs are fees payable to the auditors in respect of the statutory audit of £9,103 (2017: £8,670) and in respect of other accountancy services and professional fees of £13,458 (2017: £23,800).

Charitable activities include grants awards (£3,443,199), matched-giving in respect of Generation's employees' donations (£557,399), staff costs (£302,518) and other professional and research expenses (£40,462). For further analysis of grants awarded refer to note 5 and staff costs refer to note 6.

## 5. Grant activities

## Major Partnership Grants

INSTITUTION	TOTAL GRANT EXPENSES INCLUDED IN SOFA	SUPPORT COST ALLOCATION	ORGANISATION DESCRIPTION
Greyston	£1,200,000 (2017: nil)	£7,863	Greyston is a charitable organisation (501(c)(3)) that focuses on reducing crime, recidivism and poverty through system change. Its trademarked model of Open Hiring aims to help excluded groups more easily participate in the economy.
B Lab UK/US	£942,210 (2017: £150,000)	£6,174	B Lab is a charitable organisation that serves a global movement of people using business as a force for good. B Lab certifies and connects UK or US B Corps with the global movement of mission-driven organisations.
Principles for Responsible PRI	£500,000 (2017: nil)	£3,276	The PRI is an independent global proponent of responsible investing. Through research, advocacy and engagement with private and public institutions it works to advance financial markets and economies via the integration of ESG factors.
United Nations Environmental Programme Finance Initiative	£163,972 (2017: £469,800)	£1,074	The United Nations Environment Programme Finance Initiative (UNEP FI) is a global organisation focused on creating a more environmentally sustainable financial system. UNEP FI promotes the implementation of the environmental dimension of sustainable development. This grant funds our Fiduciary Duty in the 21 <sup>st</sup> Century project, comprising Generation Foundation, UNEP FI and the UN PRI.
Total Major Partnership Grants	<b>£2,806,182</b> <b>(2017: £1,382,243)</b>	<b>£18,387</b>	

## Capacity Building

INSTITUTION	TOTAL GRANT EXPENSES INCLUDED IN SOFA	SUPPORT COST ALLOCATION	ORGANISATION DESCRIPTION
1010 Foundation	£150,000 (2017: £0)	£983	1010 Foundation is a charitable organisation that aims to promote sustainable development in the UK via the preservation, conservation and protection of the environment and advancement of the education of the public in these subjects.
Intentional Endowments Network	£114,210 (2017: £25,000)	£748	Intentional Endowments Network supports learning and strategy about sustainability, environmental, social, governance (ESG), socially responsible investing (SRI), mission-related investing (MRI), green, and impact investing at colleges, universities, foundations, and other non-profit organizations endowments.
Equileap	£100,000 (2017: £0)	£655	Equileap is a not-for-profit organisation that is focused on accelerating gender equality in the workplace using data and disclosure. It is the leading organisation providing data and insights on gender equality in the corporate sector. All net profits are used to support women through social impact projects.

Share Action	£75,000 (2017: £0)	£491	ShareAction is a charity focused on accelerating the practice of responsible investment through campaign-based activities: building a movement, reforming rules and incentives inside the investment system and unlocking the power of investors to catalyse social and environmental change.
Total Capacity Building Grants	£439,210 (2017: £1,014,336)	£2,878	

## Sustainable Community

INSTITUTION	TOTAL GRANT EXPENSES INCLUDED IN SOFA	SUPPORT COST ALLOCATION	ORGANISATION DESCRIPTION
Total Sustainable Community Grants	£197,807 (2017: £334,216)	£1,296	Various institutions

## Total Grants £3,443,199

All grants over £75,000 have been included on an institution line by line basis in the above tables. This represents 94% of total grants awarded by the Generation Foundation in 2018.

During 2017, the Trustees' approach to the review of grants spanning more than one accounting period changed. As the Trustees now believe that the future payments will be made without substantive review, amounts payable in future years (totalling £3,379,410) have been recognised in these financial statements. Of this, £2,665,340 is expected to settle within 2019. The following table shows the overall movement in the grant payment obligations.

	31 DECEMBER 2018	31 DECEMBER 2017
	£	£
Accrued grant payments brought forward	1,620,759	984,806
Amounts paid	(2,144,014)	(2,114,610)
Additional grant awards	3,443,199	2,726,205
Movement in expected costs	(13,345)	24,358
	<b>2,906,602</b>	<b>1,620,759</b>

## 6. Employee information

## a) Staff costs

	YEAR ENDED 31 DECEMBER 2018	YEAR ENDED 31 DECEMBER 2017
	£	£
Wages and salaries	207,845	123,476
Deferred Compensation	49,168	33,211
Social security costs	31,080	17,766
Other pension costs	14,425	8,354
	<b>302,518</b>	<b>182,807</b>

Wages and salaries include salary and taxable benefits in kind and other payments to employees.

The average monthly number of employees who served during the year equates to one (2017: one). There was a second employee for the Generation Foundation hired in December 2018

There was one employee during the year with emoluments exceeding £60,000. This person received total employee compensation and benefits (excluding pension) within the band £250,000 - £260,000. (2017: one employee with emoluments exceeding £60,000).

#### 7. Payments to Trustees

The Trustees have not received remuneration or expenses during the year (2017: nil).

#### 8. Debtors

	31 DECEMBER 2018	31 DECEMBER 2017
	£	£
Other debtors	7,690,239	7,612,655
	7,690,23	7,612,655

#### 9. Creditors: Amounts falling due within one year

	31 DECEMBER 2018	31 DECEMBER 2017
	£	£
Trade creditors	11,794	-
Grant commitments due within one year	2,192,532	1,097,527
Taxation and social security	66,919	-
Other creditors	-	47,819
Accruals	493,717	885,021
Amounts due to related parties	10,521	-
	2,775,483	2,030,367

#### 10. Creditors: Amounts falling due after one year

	31 DECEMBER 2018	31 DECEMBER 2017
	£	£
Grant commitments due after one year	714,070	-
	714,070	-

No discounting has been applied to these future obligations.

#### 11. Provisions for Liabilities

	31 DECEMBER 2018	31 DECEMBER 2017
	£	£
At 1 January	40,061	nil
Additional costs	54,606	40,061
<b>AT 31 DECEMBER</b>	<b>94,667</b>	<b>40,061</b>

The Foundation provides deferred cash incentives ("awards") for employees. Awards take the form of a deferred entitlement to cash based on the performance of Generation-managed investment funds. Awards for employees vest after three years from grant date with units redeemed after five years and proceeds paid to respective employees. This provision includes the anticipated future costs arising from service provided to date, together with the associated social security costs.

## 12. Related party transactions

Generation Investment Management LLP ('LLP') is a related party as all of the Foundation's trustees are also members of the LLP. The Foundation is excluded from the LLP's group consolidation due to the severe long-term restrictions which substantially hinder the exercise of the rights of the LLP over the Foundation.

As at 31 December 2018 a balance of £6,152,192 (2017: £6,075,902) was due from Members of Generation Investment Management LLP.

During the year, Generation Investment Management LLP settled expenses of £30,922 (2017: £7,393) on behalf of the Foundation of which £10,520 (2017: £21,344) was due at balance sheet date.

D W Blood, a trustee, serves on the board of World Resources Institute. A match request from a Generation employee of £8,024 was awarded to World Resources Institute during the year.

## 13. Ultimate controlling party

The ultimate controlling parties are the Trustees as listed in the Trustees' Annual Report.