

The Generation Foundation

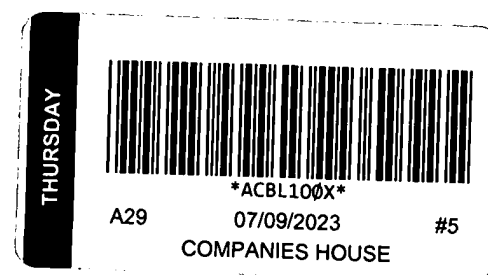
(a company limited by guarantee)

Annual report and financial statements

31 December 2022

Company registration number: 05536312

Charity registration number: 1113061



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Foundation details

Bankers

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

Independent Auditor

Sayer Vincent LLP
Chartered Accountants and Statutory Auditors
Invicta House, 108-114 Golden Lane
London
EC1Y 0TL

Registered office

20 Air Street
London
W1B 5AN

Lawyers

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

Board of trustees

Trustees:

G A L Bennett
D W Blood
P Coates
E Gilmore (resigned 7 December 2022)
P I Harris
M-A Manolache (appointed 9 February 2023)
R Rajeswaran
A C Woolf

Trustees' annual report

The trustees present their report and audited financial statements of The Generation Foundation for the year ended 31 December 2022. This trustees' report is also the directors' report.

The financial statements have been prepared in accordance with the accounting policies set out in Note 1 to the financial statements and comply with the Charities Act 2011, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), "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 (FRS 102)" (the "Charities SORP") and UK Generally Accepted Accounting Practice.

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 of Trustees 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 3.

Trustees

The members of the Board of Trustees (the "trustees") who were in office during the year and up to the date of signing the financial statements are set out on page 3. 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.

Objectives

The objectives of the Foundation as set out in the governing documents 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 studies 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 make donations to such charitable institution or institutions at such time or times and in such manner as the trustees may in their absolute discretion think fit. For the purposes of these objectives, "sustainable development" means development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Activities

The Foundation's mission is to help create a low-carbon, prosperous, healthy, safe and fair society. Our vision is an equitable society in which global temperature rise does not exceed 1.5°C.

We execute our mission by identifying how our resources and expertise can be most effective in driving transformational change, which includes using research, major partnerships and grant-making to support a rapid transition to an equitable, net-zero economy.

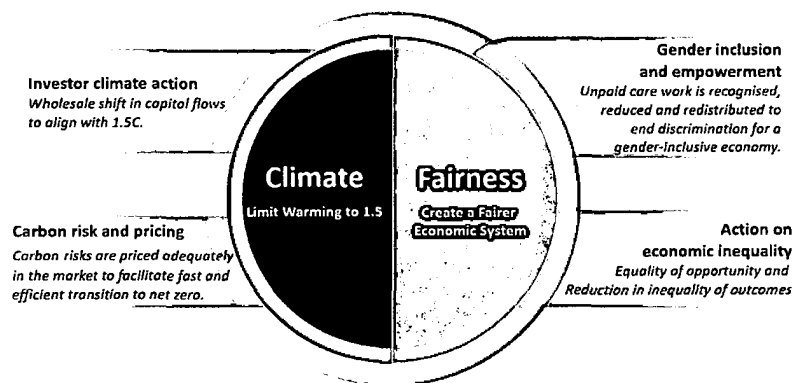
The Generation Foundation takes a proactive approach to grant-making, working with partners to achieve their goals, and in turn pursue our mission to help create a low-carbon, prosperous, healthy, safe and fair society. We execute our strategy by identifying potential grant partners through our own deep research which starts at the establishment of our strategy, then continues when we research the levers for change and the organisations with the potential to deliver that change.

Trustees' annual report (continued)

We fund research and programmes aimed at overcoming barriers to a sustainable economy through partnerships with organisations and institutions across sectors and geographies. This section will give a brief overview of some of our activities under climate, fairness and employee programmes, as well as other activities carried out last year (for more detail on strategic grants, see Note 7).

Strategic grants Our strategy was developed in 2019 with two organising principles, impact and urgency. In order to meet the challenges of our climate crisis and deepening inequality we make targeted interventions by supporting grant partners and applying our expertise under four strategic priorities, as shown in the graphic below:

Figure 1: Our strategy seeks to address the climate crisis and deepening inequality



STRATEGIC GRANTS IN 2022: CLIMATE

Investor climate action & Carbon risk and pricing

During 2022 we added seven new partners to our climate portfolio, totalling £4.8 million. One such project was a new major grant to the Club of Rome to support their global initiative, Earth 4 All (E4A).

E4A has some of the world's best modellers, economists and data scientists contributing to world-leading, sophisticated tools to understand the interconnected drivers of sustainable economies. The initiative aims to explore new economic thinking and test model outcomes to ensure we remain within planetary boundaries. Our funding will support E4A to better incorporate the investment sector into their work as well as ensuring actors affected by climate change in the Global South contribute to E4A's ambitious policy solutions.

Please refer to Note 7 for a full list of recipients of Climate grants during 2022.

STRATEGIC GRANTS IN 2022: FAIRNESS

Gender inclusion and empowerment & Action on economic inequality

In 2022 we added seven new partners to our Fairness portfolio, totalling £2.5m. One area of focus in our Fairness strategy is the recognition, reduction and redistribution of unpaid care as a way of combating gender inequality. Unpaid care is still a nascent issue area with great need for data on how the industry considers unpaid care in parental leave and flexible working policies.

One of our new partners working to address that data gap is the World Benchmarking Alliance (WBA). WBA is a non-profit that creates leading benchmarks on social issues. WBA works with business and civil society organisations to assess the world's most influential companies on their approach to environmental and social issues, including gender equality. Our support for WBA will help plug the data gap on unpaid care whilst also raising corporates' awareness of the subject through engagement and accountability.

Please refer to Note 7 for a full list of recipients of Fairness grants during 2022.

Trustees' annual report (continued)

Employee programmes

In addition to our strategic grant-making, we execute our mission by building a culture of philanthropy among the employees and members of Generation Investment Management LLP ("Generation") and Just Climate (a subsidiary of Generation with 25 employees at the end of 2022). The programmes enable them to apply their expertise and passion for sustainability in support of community and civil society organisations and help us to identify high impact organisations aligned to our mission.

MATCHED GIVING

The Foundation matches charitable gifts and volunteer hours donated by Generation and Just Climate employees and members to eligible charities. This year we 'double-matched' donations: for every £1 a colleague donated to an eligible charity, the Foundation donated a further £2 up to a total of £100,000 per participant. Additionally, we matched the hours that Generation and Just Climate employees volunteered with eligible charities with donations at a rate of £200 per hour.

In 2022, 99% of Generation and Just Climate colleagues took part in Matched Giving, deploying a record £2.3m.

EMPLOYEE-LED GRANT-MAKING

We also ran two employee-led grant-making programmes supporting colleagues to deploy funding to charities aligned to the Foundation's strategic priorities. A total of 22 employees and partners of Generation and Just Climate took part in employee-led grant-making programmes in 2022, supporting eight charities with over £470,000 in funding.

OTHER ACTIVITIES

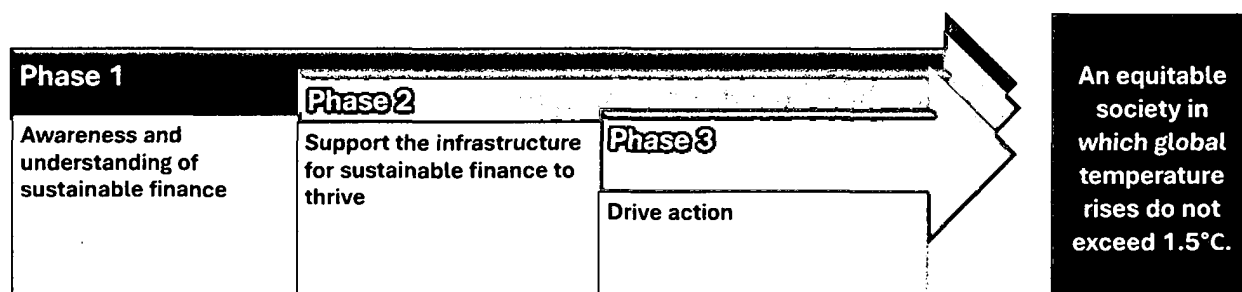
During 2022 we also began several projects to improve our operational capacity and build our strength as grant-makers. These included a project to deploy a new grant management system and beginning work on an impact review covering our impact over the last decade, further details of which can be found below.

2023 plans: reflecting on our impact and strategic review

Our current strategy was established in 2019 with an expected lifespan of roughly five years, concluding at the end of 2023. To prepare for our next strategy review, in 2022 we undertook a project to review the success of our current strategy, and the years that preceded it. This work will inform and guide our strategy review and provide insights on how we can best execute our mission over the years to come.

One important feature of the impact review was the articulation of our theory of change for sustainable finance, represented in figure 2 below. We believe change to a sustainable financial system broadly follows a trajectory of awareness raising to driving action.

Figure 2: Our theory of change



Example of our theory of change in action: Incorporation of sustainability data

Early on, we identified incorporation of sustainability factors in investment decision-making as one of the key ingredients in creating a more sustainable financial system. For that to happen, investors would need to be aware of the benefits and importance of this practice. They would also need the tools, frameworks and data to incorporate those factors systematically. With those elements in place, efforts to drive adoption at scale are much more likely to be successful. Below is a bit more detail of how that framing shaped the interventions we funded over the years to increase the use of sustainability data in investment:

Trustees' annual report (continued)

- **Phase 1 2004 to 2012:** Incorporation of sustainability factors in investment starts with investor awareness of sustainable investment and the benefits it could bring to their investment process. Therefore, in the 2000s and early 2010s, we published papers and funded research aimed at raising awareness of the value of sustainability data for investors.
- **Phase 2 2012 to 2017:** Once a significant minority of investors were committed to this practice, our efforts shifted to funding the tools, data and frameworks required to help this to happen. In the 2010s, we funded many of the major initiatives that have become well-known in sustainable investment, like SASB, B Lab and CDP. These frameworks and tools are prerequisites for investors to meaningfully incorporate sustainability data in investment processes.
- **Phase 3 2017 to present:** Finally, for all investors to incorporate sustainability data effectively, it needs to become a market expectation and become part of the fabric of the typical investment process and/or it needs to be a regulatory requirement. We funded research to encourage regulatory adoption of reporting standards such as the EU Corporate Reporting Sustainability Directive and supported the Impact Management Project's efforts to harmonise reporting standards, use and communication of sustainability data in investment. That effort was instrumental in the creation of the ISSB, which is expected to increase both the reach and quality of sustainability data in investment decision-making.

Today 89% of investors claim to incorporate sustainability analysis in their investment decision-making.¹ That is an enormous growth over the course of the last decade – Bloomberg reported that only 1% of terminal users accessed ESG data in 2011.² This is just one example of how a particular outcome can travel along the trajectory from awareness to wide adoption. Other areas of our strategy are at different stages in this process. For example, our effort to contribute to a more gender inclusive economy is still much earlier on this trajectory, so we focus our funding on filling data and research gaps.

As we embark on a strategy review in 2023, our research-driven process will identify the outcomes we believe we are best-placed to pursue. We aim to target outcomes that are high impact, urgent, and well-suited to our skills, expertise and resources. In light of these efforts, in 2023 we intend to reduce our grant-making targets slightly as we divert some of our capacity to the strategy review.

Trustee induction and training

When recruiting new trustees, the Foundation seeks individuals with relevant experience on the objectives of the Foundation. 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.

Responsibilities of trustees

The trustees are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law, including the Companies Act 2006, and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of 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 Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

¹ <https://www.capitalgroup.com/advisor/pdf/shareholder/ITGEOT-029-658091.pdf>

² Bloomberg LP, The Sustainability Edge: Sustainability Update, 2011 ; https://www.bsr.org/reports/BSR_Trends_in_ESG_Integration.pdf

Trustees' annual report (continued)

Each trustee in office at the date the trustees' report is approved confirms 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 necessary steps to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

Financial review

The Foundation's total income for 2022 was £5.6m (2021: £16.5m). Total income for the year ended 2022 includes donations of £5m (2021: £14.3m) and investment income of £0.6m (2021: £2.2m). The reduction in total income for the year is due to the lower profitability of Generation Investment Management LLP resulting in lower donations made by its members, and lower distributions received in the year from the Foundation's investment in Generation IM Climate Solutions SLP II, L.P. The reduction in income for the year did not impact the activities of the Foundation. The Foundation expenditure in 2022 was broadly in line with the prior year at £11.4m (2021: £11.5m).

Principal risks and uncertainties

The trustees have assessed the major risks to which the Foundation is exposed, including those relating to financial, operational, compliance, reputational and governance issues. These risks are captured in a Risk Register reviewed annually by trustees, and the trustees 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 the members of Generation, which supports the Foundation's objectives. If Generation's members are unable or unwilling to provide funding, this would restrict the Foundation's ability to grow further or mean that grants and research activities may need to be scaled back. However, the trustees consider this risk unlikely.

Donations policy

The donations are made on a voluntary basis and at the discretion of the members of Generation. 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.

Principal funding source

The Foundation's principal funding source is donations received annually from the members of Generation.

During the year to 31 December 2022 the Foundation recognised income from donations and associated Gift Aid of £5,050,538 (2021: £14,290,204).

Reserves policy

The trustees recognise the urgency of achieving the Foundation's charitable objectives. All multi-year commitments without significant performance conditions attached are accounted for in full on an accruals basis. This ensures that the Foundation can meet its commitments to grant partners as they fall due.

The Foundation holds unrestricted funds of £17.8m (2021: £23.1m) at the end of the accounting period. All of the funds held are unrestricted and available for the general purposes of the charity. Within the unrestricted funds at the end of 2022, an amount of £8.6m (2021: £14m) was set aside as designated funds (for more detail, see Note 17). These designated funds are held in line with trustee expectations of grant-making during the course of 2023 and there is an expectation that these designated funds will be fully committed by the end of 2023.

Over time the trustees intend to maintain the ongoing reserves of the Foundation at a level that would enable it to continue a scaled-down grant-making programme for one calendar year should the Foundation face a year of significantly reduced income. The remaining funds of £9.2m (2021: £9.1m) exceed the anticipated minimum annual expenditure of £3m.

People and remuneration policy

The average number of employees during the year was 5 (2021: 3).

Generation Foundation established a committee of trustees ("Remuneration Committee") with delegated power and functions to consider and set remuneration for the Foundation's employees on behalf of the full Board of Trustees, in accordance with Articles of the Foundation. Salaries are reviewed annually in line with performance, subject to a calibration process with regard to the skills and attributes required for

Trustees' annual report (continued)

particular roles. The trustees also have reference to the compensation paid within large grant-making foundations and those associated with asset managers and financial institutions.

Other matters

The trustees consider that 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.

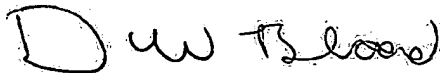
Related parties

Generation Investment Management LLP is a related party as it is the sole member of the Foundation, and the Foundation's trustees are also members and employees of the LLP (see Note 18 for further details of the Foundation's connection with this related party).

Going concern

The trustees believe that the Foundation is well-placed to manage its business risks successfully. The trustees have a reasonable expectation that the Foundation has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Approved by the Board of Trustees on 13 July 2023 and signed on their behalf.



D W Blood
Trustee

13 July 2023

Independent auditor's report to the trustees of The Generation Foundation

Opinion

We have audited the financial statements of The Generation Foundation (the 'charitable company') for the year ended 31 December 2022, which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice).

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 2022 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 Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Foundation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the companies act 2006

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
- the trustees' annual report has been prepared in accordance with applicable legal requirements.

Independent auditor's report to the trustees of The Generation Foundation (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are set out below.

Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- we enquired of management and the board of trustees, which included obtaining and reviewing supporting documentation, concerning the Foundation's policies and procedures relating to:
 - Identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
 - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- we inspected the minutes of meetings of those charged with governance;

Independent auditor's report to the trustees of The Generation Foundation (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

- we obtained an understanding of the legal and regulatory framework that the Foundation operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the Foundation from our professional and sector experience;
- we communicated applicable laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit;
- we reviewed any reports made to regulators;
- we reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations;
- we performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- in addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at:
www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditors' report.

Use of our report

This report is made solely to the charitable company's member 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 member those matters we are required to state to the member in an auditors' 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 the charitable company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Judith Miller, Senior Statutory Auditor
for and on behalf of Sayer Vincent LLP, Statutory Auditor
Invicta House, 108-114 Golden Lane, London, EC1Y 0TL
26 July 2023

Statement of financial activities

(Including income and expenditure accounts)

		Year ended 31 December 2022	Year ended 31 December 2021
	Note	GBP	GBP
Unrestricted total funds			
Income from			
Donations	4	5,050,538	14,290,204
Investments	5	567,127	2,181,287
Total		5,617,665	16,471,491
Expenditure on			
Charitable activities	6	(11,406,713)	(11,536,220)
Total		(11,406,713)	(11,536,220)
Net (expenditure)/income before gains on foreign exchange on investments		(5,789,048)	4,935,271
Gain on foreign exchange		563,646	67,389
Net movement in funds		(5,225,402)	5,002,660
Reconciliation of funds			
Total funds brought forward		23,066,614	18,063,954
Total funds carried forward		17,841,212	23,066,614

All recognised gains and losses have been included in the statement of financial activities and the amounts included are derived from the continuing activities of the Foundation.

Balance sheet

	Note	As at 31 December 2022 GBP	As at 31 December 2021 GBP
Fixed assets			
Investments	10	7,663	2,663
Total fixed assets		7,663	2,663
Current assets			
Debtors	11	5,482,037	6,290,204
Investments	12	22,894,809	24,778,536
Cash at bank		621,598	3,272,011
Total current assets		28,998,444	34,340,751
Liabilities			
Creditors: amounts falling due within one year	13	(7,792,255)	(8,510,198)
Net current assets		21,206,189	25,830,553
Total assets less current liabilities		21,213,852	25,833,216
Creditors: amounts falling due after one year	14	(3,017,480)	(2,348,920)
Provision for liabilities	15	(355,160)	(417,682)
Total net assets		17,841,212	23,066,614
The funds of the charity			
Designated funds		8,600,000	14,000,000
General funds		9,241,212	9,066,614
Total unrestricted funds	16,17	17,841,212	23,066,614
Total foundation funds		17,841,212	23,066,614

Approved by the Board of Trustees on 13 July 2023 and signed on their behalf:



D W Blood (Trustee)

13 July 2023

The Generation Foundation (Company No: 05536312)

Cash flow statement

	Note	Year ended 31 December 2022 GBP	Year ended 31 December 2021 GBP
Net (expenditure)/income for the reporting year (as per the statement of financial activities)		(5,225,402)	5,002,660
Adjustments for			
Dividends, interest and income from cash at bank, deposits and investments		(567,127)	(2,181,287)
Decrease in debtors	11	808,167	2,550,220
(Decrease)/Increase in creditors	13,14	(49,383)	3,140,728
(Decrease)/Increase in provisions	15	(62,522)	96,981
Net cash (used in)/provided by operating activities		(5,096,267)	8,609,302
Dividends, interest and income from cash at bank, deposits and investments		567,127	2,181,287
Purchase of investments		(5,000)	(2,413)
Net cash provided by investing activities		562,127	2,178,874
Change in cash and cash equivalents in the year		(4,534,140)	10,788,176
Cash and cash equivalent at 1 January		28,050,547	17,262,371
Cash and cash equivalent at 31 December		23,516,407	28,050,547

Reconciliation of cash at bank to cash and cash equivalents:

	Note	Year ended 31 December 2022 GBP	Year ended 31 December 2021 GBP
Cash at bank		621,598	3,272,011
Short-term deposits (included in current asset investments)	12	22,894,809	24,778,536
Net cash		23,516,407	28,050,547

Notes to the financial statements

1. Accounting policies

- a) The Generation Foundation is a charitable company limited by guarantee and is incorporated in the United Kingdom. The Charity meets the definition of public benefit entity under FRS 102.

The registered address and principal place of business is 20 Air Street, London, W1B 5AN.

The financial statements have been prepared in accordance with 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 (FRS 102) – (Charities SORP FRS 102), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared on a going concern basis.

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

- b) Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, and it is probable that the income will be received and that the amount can be measured reliably. Income is accounted for on an accruals basis such that the planned donation by the members of Generation in respect of the 2022 profits of Generation are recognised as at 31 December 2022.

Donated professional services and donated facilities are recognised as income when the charity has control over the item or received the service, any conditions associated with the donation have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the value of volunteer time is not recognised.

- c) Investment income is recognised in the statement of financial activities and measured at the fair value of the consideration received and represents the Foundation's allocated portion of receipts from its investments in Generation IM Climate Solutions SLP II, L.P. in its capacity as a Limited Partner during the year.
- d) Interest income is recognised in the statement of financial activities and comprises of interest on cash and cash equivalents and is accounted for using the effective interest method.
- e) Resources expended are allocated to the particular activity where the cost relates directly to that activity. As the only activity of the Foundation is grant-making, all costs have been allocated accordingly as per Note 6.

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

- f) 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.
- g) 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 in full on an accruals basis when the recipient has a reasonable expectation that they will receive a grant as there are no significant performance conditions attached.
- h) Going Concern; the trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern. The trustees do not consider that there are any sources of estimation or uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.
- i) Matched giving awards are made to third parties in relation to eligible donations to charities by staff and members of Generation. The awards are recognised when approved by the Foundation following a review of the donations made by staff and members of Generation attributable to the period.
- j) The Foundation is not registered for VAT. All expenditure is therefore stated inclusive of VAT where applicable.

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund. Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

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. The provisions recognised in Note 15 relate to the Employee Incentive Plan. Further details of the Employee Incentive Plan are given in Note 8.

Notes to the financial statements (continued)

1. Accounting policies (continued)

- 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) The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.
- m) Non-current investments are financial assets held for continuing use in the business and include three investments in Guernsey-based limited partnerships: Marvel (Deferred) Limited Partnership, Generation IM LTE SLP, L.P. and Generation Solutions Fund III SLP, L.P., and an investment in a Scottish limited partnership: Generation IM Climate Solutions SLP II, L.P.

Any change in fair value will be recognised in the statement of financial activities. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net (expenditure)/income before gains on foreign exchange on investments" in the statement of financial activities. The Charity does not acquire put options, derivatives or other complex financial instruments.

Where it is not practicable to recognise investments at fair value, these are recognised at historic cost less impairment. These investments are subject to regular review, and any diminution is charged to the statement of financial activities. Valuations under the cost model are not enhanced to more than the original cost.

- n) Debtors include amounts receivable on donations to which the Foundation is entitled, including any recoverable gift aid. Debtors are measured at their recoverable amounts.

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

- o) Current investments include money market funds which are short-term, highly liquid investments redeemable on demand.
- p) Cash at bank includes cash in bank accounts.
- q) The Foundation does not operate its own pension scheme. The Foundation contributes on behalf of the employees to their chosen pension scheme plan. Charges represent the actual amount of the contribution payable to the pension schemes in respect of the accounting year.
- r) Donated services: Generation provides various support services to the Foundation. Generation does not charge the Foundation for the cost of the employees that have wider roles within Generation, or for the use of Generation's facilities. The trustees have reviewed the value of services provided, but as these are deemed to be immaterial, they have not been reflected as a donated service.

2. Estimates and assumptions

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 these estimates. Information about these judgements and estimates is included in the accounting policies and other notes.

The significant judgements are:

- the consideration that the trustees are the controlling persons of the Foundation (Note 19);
- the allocation of support costs to the grants awarded by the Foundation (Note 6).

The significant estimates are:

- recognition of grant obligations payable in later periods (Notes 1 (g), 7, 13 and 14);
- future obligations and provisions are not subject to discounting (Notes 13, 14 and 15).

Notes to the financial statements (continued)

3. Guarantees

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

4. Donations

Donations comprise of donations from members of Generation equivalent to an annual allocation of distributable profit arising from Generation of £4,040,430 (2021: £11,432,163) and the associated gift aid recoverable from HMRC of £1,010,108 (2021: £2,858,041).

5. Income from investments

	31 December 2022 GBP	31 December 2021 GBP
Interest and dividend income	293,552	8,067
Investment income	273,575	2,173,220
At 31 December	567,127	2,181,287

Investment income relates to distributions received in the year from the Foundation's investment in Generation IM Climate Solutions SLP II, L.P.

6. Charitable activities

		Year ended 31 December 2022			Year ended 31 December 2021		
	Note	Grant awards GBP	Support costs GBP	Total GBP	Grant awards GBP	Support costs GBP	Total GBP
Activity							
Grant activities	7	10,033,932	-	10,033,932	10,705,300	-	10,705,300
Staff costs	8	-	1,140,859	1,140,859	-	691,804	691,804
Professional fees		-	120,153	120,153	-	135,808	135,808
Research costs		-	111,769	111,769	-	3,308	3,308
		10,033,932	1,372,781	11,406,713	10,705,300	830,920	11,536,220

Governance costs are considered within professional fees and include fees payable to the auditors in respect of the statutory audit of £13,200 (£11,000 excluding VAT) (2021: £12,000/£10,000). Research costs include costs incurred for the benefit of our grant and research partners, this can include, for instance, impact management training for grant partners or communications support to highlight their work.

7. Grant activities

Climate

	GBP
Institution	
Club of Rome	1,021,680
Global Commons Alliance (a fiscally sponsored project of Rockefeller Philanthropy Advisors)	1,809,800
Climate Arc	800,000
International Institute for Environment and Development (IIED)	750,000
InfluenceMap	365,106
The Chancery Lane Project (a fiscally sponsored project of the Centre for Innovation in Voluntary Action)	62,000
Total climate grants 2022	4,808,586
Total climate grants 2021	4,398,354

None of the above organisations received similar grants in 2021 from the Foundation.

Notes to the financial statements (continued)

7. Grant activities (continued)

Fairness

	GBP
Institution	
The World Benchmarking Alliance	1,034,760
The International Labor Organization (Impact Insurance Facility)	820,800
Equimundo (formerly Promundo)	571,200
GenderSmart	53,130
Total fairness grants 2022	2,479,890
Total fairness grants 2021	4,660,457

None of the above organisations received similar grants in 2021 from the Foundation.

Employee programmes

	GBP
Matched Giving Awards	2,312,120
Engagement Grants	471,707
Total employee programmes 2022	2,783,827
Total employee programmes 2021	1,646,489

At the end of 2022 the Foundation had approved 641 matched giving award applications (2021: 596) with an average value of £3,519 per application (2021: £2,238).

Total grants £10,072,303 (2021: £10,705,300). In 2022 the Foundation received underspend funds of £38,371 from the United Nations Environmental Programme. The original grant was awarded in 2016 with £266,667 of funding.

All grants have been made to institutions as the Foundation does not provide grants to individuals. The tables in this note represent 100% of total grants awarded by the Generation Foundation in 2022.

As the trustees believe that the future payments will be made without substantial performance conditions, amounts payable in future years totalling £10,391,305 (2021: £10,669,049) have been recognised in these financial statements and in earlier years' financial statements. Of this, £7,373,825 is expected to settle within 12 months of the year-end (2021: £8,320,129). The following table shows the overall movement in the grant payment obligations.

	Year ended 31 December 2022 GBP	Year ended 31 December 2021 GBP
Accrued grant payments brought forward	10,669,049	7,548,043
Additional grant awards	10,072,303	10,705,300
Grants returned in the year	(38,371)	-
Total grants activities 2022	10,033,932	10,705,300
Total net commitments in the year	20,702,981	18,253,343
Grants paid in the year	(10,858,655)	(7,602,940)
Foreign exchange movements	546,979	18,646
Grant commitments carried forward	10,391,305	10,669,049

Notes to the financial statements (continued)

8. Employee information

Staff costs

	Year ended 31 December 2022 GBP	Year ended 31 December 2021 GBP
Wages and salaries	939,670	508,411
Deferred compensation	(7,604)	85,221
Social security costs	157,440	75,206
Other pension costs	35,443	19,833
Benefits	15,910	3,133
	1,140,859	691,804

Wages and salaries include salary and taxable benefits in kind and other payments to employees. Other pension costs include employer's contribution to defined contribution pension schemes. The deferred compensation costs are incurred in relation to deferred cash bonuses awarded to employees. The ultimate cash value to be paid to employees is dependent upon the performance of certain Generation managed investment fund units. Awards vest after three years from grant date with proceeds paid to respective employees after five years. The level of incentives awarded are linked to an employee's level of seniority at grant date.

The average number of employees who during the year was 5 (2021: 3).

There were 5 employees during the year with emoluments exceeding £60,000 (2021: 3).

	Year ended 31 December 2022 GBP	Year ended 31 December 2021 GBP
Compensation band (excluding pension)		
90,000 - 100,000	-	1
130,000 - 140,000	1	-
170,000 - 180,000	1	-
180,000 - 190,000	1	1
200,000 - 210,000	1	-
220,000 - 230,000	1	-
320,000 - 330,000	-	1
At 31 December	5	3

The total employee benefits (including pension contributions and employer's national insurance) of the key management personnel were £1,140,859 (2021: £691,804).

9. Payments to trustees

The trustees have not received remuneration or expenses during the year (2021: nil).

Notes to the financial statements (continued)

10. Investments

	31 December 2022 GBP	31 December 2021 GBP
At 1 January	2,663	250
Additions	5,000	2,413
At 31 December	7,663	2,663

Further details on these investments are given in Note 1(m).

11. Debtors

	31 December 2022 GBP	31 December 2021 GBP
Other debtors	431,500	-
Amounts due from members of Generation	4,040,430	3,432,163
Gift Aid recoverable	1,010,107	2,858,041
At 31 December	5,482,037	6,290,204

12. Current asset investments

	31 December 2022 GBP	31 December 2021 GBP
At 1 January	24,778,536	15,133,189
(Decrease)/Increase in money market funds	(2,212,149)	9,588,704
Foreign exchange movement	328,422	56,643
At 31 December	22,894,809	24,778,536

Current asset investments comprise money market investments, which are redeemable on demand.

13. Creditors: amounts falling due within one year

	31 December 2022 GBP	31 December 2021 GBP
Trade creditors	-	4,509
Grant commitments due within one year	7,373,825	8,320,129
Taxation and social security	329,660	167,388
Accruals	76,384	11,568
Other creditors	12,386	6,604
At 31 December	7,792,255	8,510,198

14. Creditors: amounts falling due after one year

	31 December 2022 GBP	31 December 2021 GBP
Grant commitments due after one year	3,017,480	2,348,920
At 31 December	3,017,480	2,348,920

No discounting has been applied to these future obligations as the impact is judged to be immaterial.

Notes to the financial statements (continued)

15. Provisions for liabilities

	31 December 2022 GBP	31 December 2021 GBP
At 1 January	417,682	320,701
Movement for the year	(62,522)	96,981
At 31 December	355,160	417,682

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. For further details see Note 8.

16. Analysis of net assets between funds

	As at 31 December 2022			As at 31 December 2021		
	General unrestricted GBP	Designated GBP	Total funds GBP	General unrestricted GBP	Designated GBP	Total funds GBP
Investments	7,663	-	7,663	2,663	-	2,663
Net current assets	12,606,189	8,600,000	21,206,189	11,845,356	14,000,000	25,845,356
Long-term liabilities	(3,017,480)	-	(3,017,480)	(2,363,723)	-	(2,363,723)
Provision for liabilities	(355,160)	-	(355,160)	(417,682)	-	(417,682)
	9,241,212	8,600,000	17,841,212	9,066,614	14,000,000	23,066,614

17. Movement in funds

	At 1 January 2022 GBP	Income & gains GBP	Expenditure & losses GBP	Transfers GBP	At 31 December 2022 GBP
Designated funds	14,000,000	-	(14,000,000)	8,600,000	8,600,000
General funds	9,066,614	6,181,311	2,593,287	(8,600,000)	9,241,212
Total unrestricted funds	23,066,614	6,181,311	(11,406,713)	-	17,841,212
At 31 December 2022	23,066,614	6,181,311	(11,406,713)	-	17,841,212

	At 1 January 2021 GBP	Income & gains GBP	Expenditure & losses GBP	Transfers GBP	At 31 December 2021 GBP
Designated funds	10,300,000	-	(10,300,000)	14,000,000	14,000,000
General funds	7,763,954	16,538,880	(1,236,220)	(14,000,000)	9,066,614
Total unrestricted funds	18,063,954	16,538,880	(11,536,220)	-	23,066,614
At 31 December 2021	18,063,954	16,538,880	(11,536,220)	-	23,066,614

At the end of 2022, the Foundation set aside £8,600,000 (2021: £14,000,000) of designated funds in line with trustee expectations of grant-making in the coming year allocated as follows;

	Climate GBP	Fairness GBP	Employee engagement GBP	Support costs GBP	Total GBP
At 31 December 2022	4,000,000	2,000,000	1,500,000	1,100,000	8,600,000
At 31 December 2021	5,000,000	6,000,000	2,000,000	1,000,000	14,000,000

Notes to the financial statements (continued)

18. Related party transactions

Generation Investment Management LLP is a related party as it is the sole member of the Foundation, and the Foundation's trustees are also members and employees of the LLP. As the Foundation has a charitable status, 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 2022 a balance of £4,040,430 (2021: £3,432,163) was due from members of Generation.

During the year, Generation settled expenses of £71,600 (2021: £9,090) on behalf of the Foundation of which £782 (2021: £nil) was due by the Foundation at the end of the year.

19. Ultimate controlling party

Generation Investment Management LLP is the ultimate parent, the controlling Persons of the Foundation are the trustees as listed in the trustees' annual report.

20. Subsequent Events

The £4,040,430 balance due from the members of Generation as at 31 December 2022 was settled on the 17th of May 2023. There were no other events subsequent to the balance sheet date that required adjustment to or disclosure in the financial statements.