# Fairshare Educational Foundation T/A ShareAction

## Annual Report and Financial Statements

31 January 2018

Company Limited by Guarantee
Registration Number
05013662 (England and Wales)

Charity Registration Number
1117244

## Contents

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## Reference and administrative details

| | |
|---|---|
| **Board of Trustees and Directors** | Emma Howard Boyd (Chair)<br>Andrew Jonathan Clarke<br>Stephen Davis<br>Paul Dickinson<br>Mick McAteer<br>Jane Cooper<br>Rob Ryan<br>Lisa (Rebecca) Warren |
| Chief Executive | Catherine Howarth |
| **Charity name** | Fairshare Educational Foundation<br>(Trading as ShareAction) |
| Registered and principal office | Ground Floor<br>16 Crucifix Lane<br>London<br>SE1 3JW |
| **Company registration number** | 05013662 |
| **Charity registration number** | 1117244 |
| **Auditor** | Buzzacott LLP<br>130 Wood Street<br>London<br>EC2V 6DL |
| **Solicitors** | Wrigleys<br>19 Cookridge Street<br>Leeds<br>LS2 3AG |
| **Principal bankers** | HSBC<br>60 Queen Victoria Street<br>London<br>EC4N 4TR |

**Report of the Chair of the Board** Year to 31 January 2018

I am delighted to report that it has been another strong year of delivery for ShareAction. We continue to build momentum in the implementation of our five-year business plan to help transform the investment industry. Our income has grown steadily and the organisation is now supported by a team of nearly 40 staff, including our first international employee based in Brussels.

It is ShareAction's job to connect both savers with their money and investors with their wider social and environmental responsibilities. Our impact is steadily growing, both in terms of our influence on the investment sector itself, and through the direct impact we have on the world as our campaigns put good investment practice into action.

Surveys have been a big theme for 2017, not least as we took over the reins of the Asset Owners Disclosure Project (AODP) in May. Our bi-annual survey of asset managers on their responsible investment performance extended, for the first time, to the 40 largest European players, and our first survey of the European banks achieved a 100% response rate and led to some encouraging commitments to action. Last, but by no means least, our Workforce Disclosure Initiative had an extremely promising first year. Investors worth more than $10 trillion supported our ambitious target of getting the world's largest companies to improve working practices for the staff in their own operations and within their supply chains.

ShareAction's reputation is spreading beyond the UK; the capital markets are global and we find ourselves making an increasingly global call to action. We continue to work with the European Responsible Investment Network (ERIN) to push for both policy change and campaign wins in Europe, and taking over AODP's work means we are influencing the investor community in more and more geographies.

Strong partnerships are playing an increasingly vital role in magnifying our impact. Our work with ClientEarth has gone from strength to strength as we jointly hold the pension fund industry to account for its duty to manage material climate impact on behalf of its members. Our long-running collaboration with the Living Wage Foundation continued to bear fruit with 35 FTSE 100 companies now accredited and 15,000 employees having received a pay rise to date. Working with our ERIN network has allowed us to extend our AGM activism into European AGMs as we train up an increasingly international team of volunteers. We are privileged to be part of a not-for-profit community that increasingly recognises the powerful influence that the investment industry has over so many different issues.

I thank both the staff and our board of trustees for their hard work and dedication. I would particularly like to thank Caroline Instance and Nick Tatman who stepped down as members of the board this year – they have both made a terrific contribution to our success.

We would not be able to do the work we do without the support of our funders. We are working hard to ensure that funders can see the direct impact of our work on the topics they are passionate about, and were particularly thrilled this year to receive a major core grant from the Esmee Fairbairn Foundation, as well as our first major grant from a US funder, the Hewlett Foundation. All of our funders are vital to our continued success and I want to thank them all for their commitment to our mission to change the investment system for good.

Emma Howard Boyd,

Chair

The Trustees (who are also directors of the charitable company for the purposes of the Companies Act) present their annual report together with audited financial statements of Fairshare Educational Foundation (trading as ShareAction) (the charitable company) for the year ended 31 January 2018.

The financial statements have been prepared in accordance with the accounting policies set out on pages 29 to 32 of the attached financial statements and comply with the charitable company's governing document, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) effective from accounting periods commencing 1 January 2015 or later.

## Objectives and activities

### *Activities and specific objectives*

ShareAction's charitable objects can be summarised as: "the promotion of ethical and responsible investment for the public benefit in order to advance: the relief of poverty, protection of the environment, promotion of human rights, sustainable development, and compliance with the law and ethical standards of conduct". The following ancillary charitable objectives complement this core object:

- to advance the education of the public in the principles and effects of ethical and responsible investment; and

- to undertake and promote research relating to ethical and responsible investment, making the results publicly available.

The company has been set up as a non-profit making charitable company. In designing their policies to meet their objectives the trustees have paid due regard to the Charity Commission's guidance on public benefit.

Our theory of change captures our work under three interwoven headings: 'building the movement for responsible investment', 'reforming the rules of the investment system', and 'unlocking the power of the investment system to deliver social and environmental benefit'.

In order to deliver on these three areas in 2016/17 we developed a framework of priorities and objectives. We also set some objectives around the infrastructure we need as an organisation in order to deliver our mission effectively:

**Objectives and activities** (continued)

***Reform the investment system through thought leadership and advocacy***

ShareAction has a long-established programme of research and policy advocacy to facilitate responsible investment (RI) activity, especially among pension funds and asset managers. These activities are designed to catalyse reforms to the investment system that promote and embed responsible investment. This year we had a significant boost to this area when we took over the Asset Owners Disclosure Project (AODP), a not for profit that has been ranking the world's largest asset owners on their carbon and climate performance for a number of years. The takeover has lifted ShareAction onto the global stage and enabled us to secure our first large US grant (from Hewlett Foundation) as well as opening up conversations with a number of other US funders. More generally, under the 'reform' pillar of our work we have defined the following two priorities:

1. Produce research that defines and advances RI good practice whilst exposing and challenging poor practice amongst institutional investors.

2. Advocate, with savers and civil society partners, for a regulatory framework in the UK and Europe that catalyses responsible investment.

***Build a movement for responsible investment and work with it to deliver our mission***

ShareAction believes that the potential of responsible and ethical investment to deliver public benefit requires the activation of support both among professional investors and across society. As such, we expend considerable resources building a strong 'insider' movement (i.e. people working within the investment system) and 'outsider' movement (i.e. ordinary savers and others affected by investment decisions) to demand and deliver more responsible investment. Our priorities under this pillar are:

3. Educate and organise savers to achieve improvements in the transparency, accountability, and RI of their invested assets.

4. Support and organise civil society to make responsible investment practice the norm across Europe.

5. Co-ordinate and support asset owners, in particular charitable foundations, to advance responsible investment.

6. Sustain a network of skilled AGM activists across Europe who hold public companies to account on their social and environmental performance.

**Objectives and activities** (continued)

***Unlock the investment system to deliver social and environmental benefit***

ShareAction continued to influence companies' social and environmental performance by engaging the support of their shareholders and by making active use of shareholder rights. Our priorities under this pillar are:

7. Campaign to align the investment industry with the goals of the Paris Agreement.

8. Unlock the investment system to improve working lives, with a special focus on vulnerable working people.

9. Mobilise investors to advance global food systems that deliver appropriate nutrition for all in a sustainable way.

10. Unlock the investment system to improve human health and wellbeing.

***Create a robust and financially secure infrastructure that enables ShareAction to excel***

Our priorities for building a strong platform for delivery of our mission are:

11. ShareAction secures diverse and sustainable income streams.

12. ShareAction has robust and compliant systems for managing its finances, relationships, and work programmes.

13. ShareAction attracts smart, committed people from diverse backgrounds to work for the organisation; offers long-term careers where people develop their skills and work at a sustainable pace; encourages people to participate in decisions about their work; and invites them to influence the direction of the organisation and the wider movement.

14. ShareAction is governed by a visibly engaged and effective board and is led by a highly effective senior management team.

15. Share Action provides a physical work environment that enables safe and productive working.

**Objectives and activities** (continued)

The following sections pull out a few highlights from this year under each priority.

***Reform the investment system through thought leadership and advocacy***

**PRIORITY 1: Produce research that defines and advances RI good practice whilst exposing and challenging poor practice amongst institutional investors**

***Surveys***

In 2017 our main survey focussed on the largest asset managers in Europe. 'Lifting the Lid: Responsible Investment Performance of European Asset Managers', published in March 2017, evaluated Europe's 40 largest asset managers on their RI performance. We held individual meetings to discuss the performance of 30 of the 40 firms surveyed. Our tailored recommendations for how they should improve RI practices have been shared with CEOs and senior RI professionals in each firm. There are some really positive indications that firms are taking the recommendations seriously and we will be following up through 2018 to capture the outcomes.

***Wider research agenda***

The appointment of Toby Belsom in June 2017 as Head of Investor Research and Analytics reinforced ShareAction's in-house capital markets expertise and this has significantly accelerated the pace at which we can produce good quality analysis and research. For example, our piece on Investor voting patterns in the US and a collaboration with the trade union UNISON on fossil fuel divestment for pension schemes. This has reinforced an already strong capability in our Policy team as evidenced by our recent Independent Governance Committee Ranking, which has gained us traction with pension funds, Government, and regulators. The quality and volume of research generated across the organisation has benefited greatly from the creation of a new senior team with strong research capability.

**PRIORITY 2: Advocate, with savers and civil society partners, for a regulatory framework in the UK and Europe that catalyses responsible investment**

***EU policy***

To avoid losing traction due to Brexit we have redoubled our efforts to influence European policy. We have continued to push the EU debate on sustainable finance to focus more on consideration of fund members' needs. We have engaged in joint advocacy activities with other NGOs, including providing analysis to Commission directorates, coordinating a letter from MEPs to the Commission and securing a meeting with EU Vice-President Jyrki Katainen.

In 2017, we also combined forces with other NGOs to influence the proposals coming out of the High Level Expert Group on Sustainable Finance (HLEG). We produced an anthology of NGO recommendations and via a number of senior meetings with the HLEG we pushed hard for consideration of the non-financial interests of beneficiaries in the final report of the HLEG, which was included.

**Objectives and activities** (continued)

**PRIORITY 2: Advocate, with savers and civil society partners, for a regulatory framework in the UK and Europe that catalyses responsible investment** (continued)

*EU policy (continued)*

We have also been advocating for strong Environmental Social Governance (ESG) requirements in the new pan-European Personal Pensions Product (PEPP), a flagship initiative of the EU's Capital Markets Union. The original proposal for the PEPP was weaker on RI than the Institutions for Occupational Retirement Provision Directive II (IORPS II) final text, and we are working to ensure there is consistency between the two. We were the first sustainability-focused NGO to advocate on the proposal and meet with the PEPP report's rapporteur in the European Parliament, as well as the shadow rapporteurs.

In December 2017, we were one of a few NGOs to meet with the rapporteur preparing the European Parliament's report on the European Supervisory Authorities (ESAs), through which we are promoting a strong supervisory role for micro prudential regulators in setting standards and releasing guidelines for the identification and mitigation of ESG risks.

Together with allies across Europe, we successfully influenced the revision of the EU's Shareholder Rights Directive. While the measures apply on a 'comply or explain' basis, these are important steps towards making Europe's investors more transparent and responsible.

***UK Policy***

We continue to make great strides in our policy work in the UK. After two years of lobbying, the Department for Work and Pensions (DWP), announced a proposal which could see savers access information about their pension investments. In October, the DWP unveiled proposals for new regulations that will give UK savers new, and long overdue, information rights. We have also been encouraging the Government to incorporate the ESG provisions of IORPs II into the potential changes to pension regulations in the UK.

We have campaigned for years for clarity in the law on investors' fiduciary duty. We were delighted when in December 2017, the DWP announced that it will consider new regulations that will clarify how pension schemes should consider and respond to members' ethical concerns, and to evaluate the financial risks arising from environmental and social factors. This proposal will be a key focus of our 2018 policy work.

We have also made good progress in influencing the regulatory landscape:

> The Financial Reporting Council (FRC):
>
> In our discussions with the Select Committee for Business, Energy & Industrial Strategy (BEIS) we pushed for a review of the Stewardship Code to happen at the same time as the Financial Reporting Council (FRC) reviews the Corporate Governance Code. The Committee included this in its final recommendations and we have since been engaging closely with the FRC. We were invited to submit a funding proposal to the FRC for research work to underpin its review of the Stewardship Code.

**Objectives and activities** (continued)

**PRIORITY 2: Advocate, with savers and civil society partners, for a regulatory framework in the UK and Europe that catalyses responsible investment** (continued)

*UK Policy (continued)*

The Financial Conduct Authority (FCA):
We challenged the FCA over its decision to defer indefinitely its review of Independent Governance Committees (IGCs) for UK contract-based pension providers. In February 2018, we published a substantial research report on the effectiveness and quality of IGC reporting.

The Pensions Regulator (TPR):
A significant success in 2017 has been our strengthened relationship with TPR. The regulator has incorporated our recommendation for pension schemes to take ESG factors into account when making investment decisions into their guidance for defined contribution schemes. TPR's guidance for trustees now links directly to ShareAction's work.

***Build a movement for responsible investment and work with it to deliver our mission***

**PRIORITY 3: Educate and organise savers to achieve improvements in the transparency, accountability and RI of their invested assets**

***Pension Power***
We started the year with 15 teams of savers with five or more members each and ended the year with more than 20 active teams across a broad range of scheme types. Appropriate actions to sustain and grow teams and achieve wins are challenging to develop but we are making steady progress. As well as supporting members to engage their own schemes we also facilitated the following saver activities.

During the year we worked with ClientEarth to increase the pressure on funds to act on climate-related financial risks, as well as tackling regulators on the same theme. This included a referral to the Pensions Regulator calling out laggard pensions funds on their lack of consideration of climate risk.

We secured funding in partnership with Forum for the Future to explore the relationship between companies with good corporate social responsibility credentials and the pension schemes used by their employees. The research concluded that companies are reluctant to take responsibility for their pension schemes' RI performance. We are now looking at ranking corporate schemes in order to apply more overt pressure (more stick; less carrot).

**Objectives and activities** (continued)

**PRIORITY 4: Support and organise civil society to make responsible investment practice the norm across Europe**

***The European Responsible Investment Network (ERIN)***

The ERIN network launched with 25 members at a conference in Berlin in 2016. It now boasts 38 members across 12 countries and has become a hub of intelligence across European civil society on sustainable finance. The ERIN newsletter is read by more than 500 actors from civil society, policy, and the finance industry.

Through 2017, we reached, connected and equipped members with a well-received programme of training and capacity building including online skills-shares and briefings, and we held another conference in The Hague in September with over 140 attendees. ERIN members say they:

- feel better connected;
- have started new projects and found new partners;
- value the opportunity to share skills; and
- are reaching and engaging with more and bigger investors.

We have created an EU Policy Working Group, which brings together both ERIN members and wider civil society organisations. We have monthly meetings in Brussels, have secured opportunities for ERIN members to engage in the policy-making process through submission of material (amendments/joint statements) to relevant policymakers, particularly around the European Parliament's own-initiative report on sustainable finance and the HLEG's Final Report. Our initial ERIN funding from the MAVA Foundation finished in January 2018 and so fundraising to cover our work in Europe is a major priority.

**PRIORITY 5: Co-ordinate and support asset owners, in particular charitable foundations, to advance responsible investment**

***The Charities Responsible Investment Network (CRIN)***

CRIN membership has reduced slightly during the year (losing three and gaining two). CRIN members vary in their needs – a number are getting quite ambitious in their responsible investment activities.

During 2017, members have taken a range of actions:

- meeting with the Investment Association CEO to discuss Sustainable Development Goals;
- signing letters to the banks on climate change risks;
- signing letters to companies about renewable power use;
- signing Living Wage letters to companies; and
- joining the Workforce Disclosure Initiative.

**Objectives and activities** (continued)

Letters in support of the 30% Club have formed the heart of some work on gender equality and 18 CRIN members have requested specific analysis of their asset managers following a report we produced for them on the performance of their managers against the Principles for Responsible Investment (PRI)'s.

**PRIORITY 6: Sustain a network of skilled AGM activists across Europe who hold public companies to account on their social and environmental performance**

*AGM Army*

We held seven AGM trainings at ShareAction, Esmee Fairbairn, UNISON, Christian Aid, Croydon College, and UNLOCK offices. We facilitated the attendance of 95 UK-based AGMs in the 2017 season and questions related to ShareAction's core work themes were asked at 84 of these. We also stepped up our attendance at European AGMs, attending 12 during the season at publicly listed companies including Nestle, Santander, ENI, Deutsche Bank, Royal Dutch Shell, BNP Paribas, Societe Generale, and Glencore (ClientEarth).

Our AGM work gained good coverage which included the BBC, Guardian, Reuters, FT, Daily Mail, the i, and The Herald.

***Unlock the investment system to deliver social and environmental benefit***

**PRIORITY 7: Campaign to align the investment industry with the goals of the Paris Agreement.**

*Green Light – pension fund influence on climate*

We held a pension trustee roundtable in March 2017 to raise awareness of investment related climate risks. This was well attended by trustees from LGPS funds, corporate schemes, and TPT Retirement Solutions. A key focus has been on influencing the pooling process that is underway with local government pension schemes. We met with many of the new LGPS pools, seeking to support the new pools in embedding RI in their investment process.

*≤2°C alignment of the fossil fuel sector*

Our work on the fossil fuel sector has mainly focussed on Shell and BP in the wake of climate resolutions filed in 2015. For the 2017 AGM we elected to focus on the disconnect between executive pay plans that incentivise oil and gas reserve replacement and the commitment of the companies to decarbonise. This campaign got some traction with investors but the messaging got lost in an AGM season where excessive executive pay dominated the headlines. In the autumn we produced two follow-up reports on Shell and BP's performance on the topics covered in the 2015 Shareholder resolutions. We subsequently published 'Where now for the integrated oil sector?' which tees up some ambitious work to hold both the companies and their investors to account on the use of free cash flow.

*≤2°C alignment of banks*

In February 2017 we launched 'Banking on a Low Carbon Future' at an event at the Guildhall. This report on investor expectations of the banking sector laid the foundation for a successful AGM season with questions to banks across Europe, and a recognition of the vital role that banks need to play in financing a low carbon future.

**Objectives and activities** (continued)

**PRIORITY 7: Campaign to align the investment industry with the goals of the Paris Agreement.** (continued)

*<u><2°C alignment of banks (continued)</u>*

In September we helped co-ordinate a letter to 62 global banks, signed by over 100 investors with nearly $2 trillion assets under management (AUM), asking for better climate-related disclosures. We also launched a survey of the 15 largest European banks on climate-related activities and governance. We received a 100% response rate and had various meetings with banks, including with HSBC, who have acknowledged the influence of our engagement with them in their new climate policies.

We released our 'Banking on a Low-Carbon Future' survey report in December 2017, which includes recommendations for investors in relation to each bank. It had a positive response from institutional investors, with over 50 attending the webinar in which we presented the findings. Some big names in investment (Schroders, Norges Bank, LGIM, Standard Life and M&G) attended our roundtable to present results in February 2018. There have been a number of new commitments from banks since the launch of our survey, with the progress of BBVA being particularly noteworthy as they explicitly mention us and have made a specific effort to follow our recommendations. Our banking report was covered in mainstream national daily and weekly publications in the UK (Financial Times, City AM), France (Paris Match, BFMTV, La Tribune, Le Journal du Dimanche), Italy (La Repubblica), and the Netherlands (RTL).

***<u>Investor Decarbonisation Initiative – RE100 and Science Based Targets</u>***

20 of the world's largest companies have made a commitment to 100% renewable electricity use following the engagement of our RE100 investor group: major brand names include Anheuser-Busch InBev, the world's biggest brewer, and Tesco, the UK's largest supermarket.

Collectively, these 20 companies are creating demand for 28 TWh of renewable electricity annually, equivalent to the annual electricity consumption of Slovakia, or the electricity consumption of 3 million homes for one year. Tesco alone represents 5TWh, or 1% of the UK's electricity demand.

We secured funding in the autumn to broaden the initiative to a more holistic approach to Science Based Targets, including asks around electric vehicles and energy productivity.

**Objectives and activities** (continued)

**PRIORITY 8: Unlock the investment system to improve working lives, with a special focus on vulnerable working people**

***The Workforce Disclosure Initiative (WDI)***

This major DFID-funded programme came into its own in 2017. The WDI aims to focus the investment community's attention on labour issues and harness investor engagement to achieve tangible improvements in companies' workforce policies and practices. During the survey development, we undertook consultation with 25 NGOs, reporting organisations, and trade unions with specific expertise on supply chain management, workers' rights, and modern slavery. We emphasised the project's ultimate goal to improve working conditions at our first advisory group meeting with investors in April 2017.

The investor response to the initiative has outstripped expectations with nearly 100 investors worth $10 trillion signed up and more continuing to join as the project develops. The survey itself received responses from 34 of the 76 companies invited to participate in the pilot year. These disclosures cover employment practices affecting over 3.3 million direct employees and over 873,000 Tier 1 suppliers of the 34 firms.

***Living Wage***

Six companies have accredited as Living Wage employers during the year, bringing the total number of Living Wage employers to 4000, with 35 FTSE 100 firms now accredited. As a result of FTSE 100 accreditations overall, over 15,000 employees have received a pay increase to date.

**PRIORITY 9: Mobilise investors to advance global food systems that deliver appropriate nutrition for all in a sustainable way**

***Factory Farming***

In spring 2017 a total of 71 investors ($2tr+ AUM) endorsed our phase 3 antibiotics engagement; compared with April 2016 this represented institutional growth of one third and an additional two-thirds of AUM (up from 53 and $1.25tr). Although this project was originally a three year grant, we agreed to pass the work back to Farm Animal Investment Risk and Return (FAIRR) in June 2017. The project has gone from strength to strength and we are proud to have developed new thinking and investor interest in this important area which has touch-points in so many social and environmental topics.

**PRIORITY 10: Unlock the investment system to improve human health and wellbeing**

In January 2018 we completed a paid scoping exercise looking at the potential for investor influence on childhood obesity through encouraging product reformulation, improving clarity in labelling, and incentivising healthy options through food choice architecture. The report has received good feedback from the funder, Guy's and St Thomas' Foundation, and we hope to develop it into a major theme for 2018 and beyond.

**Objectives and activities** (continued)

***Create a robust and financially secure infrastructure that enables ShareAction to excel***

**PRIORITY 11: Use a range of communications activity to increase engagement in our movement and raise the profile of our work**

We recruited a Head of Communications & Fundraising in June 2017 whose priority to date has been fundraising. In line with the Fundraising Strategy signed off by the board in November 2017, a communications strategy is in development, the first stage of which is an analysis of our audiences. With the help of an external social design and strategy consultant, we've undertaken work to understand the journeys our various audiences go through when interacting with ShareAction to appreciate the highlights and possible sticking points in our relationships. These insights will enable us to hone our messaging and ensure we are using the channels and tactics that best engage our target audiences.

**PRIORITY 12: ShareAction secures diverse and sustainable income streams**

Our fundraising capacity increased in 2017 and the decision was made to put a new focus on individual donors, recruiting an additional person to focus on this area.

**PRIORITY 13: ShareAction has robust and compliant systems for managing its finances, relationships and work programmes**

An experienced CFO joined us two days a week from February 2017 and we have since overhauled our financial reporting process as well as our funding pipeline. The Finance, Audit and Risk Committee has convened regularly and has been effective in monitoring financial risk.

In 2017 we made the case for an Operations Manager to focus on improving internal processes and systems. The role was appointed in November 2017 with an initial focus on the General Data Protection Regulation (GDPR), installing a new contact management system, and upgrading our IT provision to enable remote working. This role is then set to move onto a programme of work that will define project and knowledge management best practice for ShareAction as well as reviewing our approach to Monitoring and Evaluation.

**Objectives and activities** (continued)

**PRIORITY 14: ShareAction attracts smart, committed people from diverse backgrounds to work for the organisation; offers long-term careers where people develop their skills and work at a sustainable pace; encourages people to participate in decisions about their work, and invites them to influence the direction of the organisation and the wider movement**

In 2017, ShareAction gradually built up a new leadership team for the charity. This major investment should support our ambition to make ShareAction more resilient as we continue to grow. Amy Webster, our office co-ordinator, has been taking a Chartered Institute of Personnel and Development HR qualification during the year and this is helping us to professionalise many of our processes. All staff have annual appraisals and 6 month interim reviews, and we have started a programme of training that began with core work skills and workplace wellbeing. We conduct an annual staff survey which is used to guide improvements across the organisation.

We introduced a new remuneration policy in September and this has now been used through an annual pay round. Its effectiveness will be formally reviewed by the HR and Governance Committee at the 6 month point.

**PRIORITY 15: ShareAction is governed by a visibly engaged and effective board and is led by a highly effective senior management team**

Rob Ryan, Rebecca Warren, and Jane Cooper joined us in the lead up to 2017 and all have been actively involved in the charity during the year. We lost Caroline Instance and Nick Tatman from the board during the year but we were lucky enough to have Rebecca Warren, a qualified accountant, willing to take on the role of Treasurer. In 2018 we plan to carry out a trustee skills audit and look to recruit additional roles as needed although we have a strong board.

### Risk management

As the organisation evolves, becomes more international, and takes on larger projects we continue to monitor and update our risk register. We see the following as our key risks:

| Risk | Mitigation |
|---|---|
| **Loss of key staff:** Difficulty in recruiting and retaining staff could put our mission at risk and the trustees are very alert to the issues caused by the loss of key personnel, particularly the CEO. | We have recruited a new senior team that will support and learn from the CEO and have implemented a new remuneration strategy in order to ensure that we are offering competitive rates of pay. We have developed a more structured approach to training and development and all staff are having regular appraisals and take part in an annual staff survey. A priority for 2018 will be to introduce a more structured approach to knowledge management and succession planning. |
| **Not enough funding or an over-dependence on restricted funds:** Our dependence on philanthropic funders presents the risk that there are insufficient funds to continue to deliver our mission. The charity is also growing its operations predominantly through projects, which are funded with restricted grants. As a result the proportion of funds that are unrestricted is diminishing, putting pressure on both operations and reserves and this needs to be carefully managed. | We have built more capacity into the fundraising team this year and are involving more staff in the fundraising process. We have more formal pipeline management and tracking in place and this is reviewed monthly by the leadership team. Work is underway to diversity our income, specifically in the form of a major donor programme but also by looking at alternative funding models for programmes such as WDI. A major step forward this year was the takeover of AODP which opened the door to major funders in the US for the first time; developing these relationships will be the subject of significant effort in 2018. |
| **Capacity and capabilities of staff:** many staff are recent graduates and face a heavy workload. There are risks to our dealings with stakeholders, funders, the press, and our supporters if staff are not fully trained in their area of work or are too stretched to do a thorough job. | We have added a lot of experience to the ranks in 2017 but still find it easiest to hire more junior members of staff. A structured management training plan is in development for 2018 and all staff have personal development plans. We have also introduced a monthly priority tracker report that allows the Leadership Team to identify pinch points and challenges. |

**Risk management** (continued)

| Risk | Mitigation |
|---|---|
| **Protecting our reputation**: ShareAction enjoys respect across the NGO community and the various catchments of investment professionals it seeks to influence. As it grows many risks to reputation emerge – practical risks associated with maintaining a consistent message and stakeholder risks associated with reactions from organisations that we challenge. | ShareAction continues to carefully manage its role as both watchdog and critical friend to the investment industry. The advent of AODP means that we are being more overtly challenging of specific organisations than ever before and this is being managed through careful sign-off processes and procedures for double-checking our data. A board escalation process has been developed and work is being done on crisis management processes. |
| **Risk of legal or regulatory breach:** the Trustees recognise that reputational damage or even legal action could stem from an inability to keep up with current regulation or an inexperienced staff member overstepping their remit (for example being deemed to have given financial advice). | GDPR presents an opportunity to revamp our data protection processes and we have hired a new Operations Manager to oversee this as well as appointing an external HR agency who are supporting us in updating all of our policies and procedures. Significant staff training and briefing has occurred as part of the GDPR process and we will extend this to other policy and procedure refreshes after the GDPR deadline. |

The Trustees are alert to these risks and the Audit and Risk Committee will actively monitor them on behalf of the board.

**Public benefit**

The trustees confirm that they have complied with the duty in Section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission. Our continued success in using the tools of the investment world to promote good corporate citizenship contributes to embedding better social and environmental practice within the UK's largest listed firms. This in turn has a range of real world effects that deliver public benefit including, for example, lower carbon emissions and higher wages for the lowest earners in the UK economy. These positive outcomes are in line with our charitable objects.

In addition, our considerable influence on the stewardship and responsible investment policies of large pension funds, asset managers, and charitable trusts contributes to the embedding of better practice within the UK's investment community. The major investors we influence look after the retirement savings of millions of working people in the UK, including many on modest incomes. Our work, particularly on fiduciary duties, encourages major investment firms and pension schemes to stay focused on the interests and wellbeing of the people whose funds they manage. Encouraging large institutional investors to act as responsible stewards of other people's assets is critically important to achieving a private pension system that delivers for all. We consider this an important element of the public benefit that flows from our activities.

**Public benefit** (continued)

Our training and educational events have helped to equip and support people in the UK who want to use their investments as a leverage point for dialogue with companies. The feedback from our training has shown how empowering people find it to access that kind of knowledge and the opportunity to influence companies with a significant social and environmental footprint.

## Financial review

### *Results for the year*

We ended the year showing good year-on-year growth with income of £1,944,600 (2017 - £1,217,433) and an unrestricted surplus of £220,165 (2017 - £93,002). We saw some significant wins towards the end of the previous financial year (our grant from DFID for the Workforce Disclosure Initiative and a significant grant from the Finance Dialogue / European Climate Foundation for our climate work). These, along with the takeover of AODP, drove the growth we saw year-on-year.

Membership income reduced compared to last year due to a falloff in membership. In the current year 14 member organisations contributed fees amounting to £25,000 (2017 - 21 member organisations including one associate member - £33,125). CRIN income increased although membership numbers fell slightly with 25 CRIN members contributing membership fees of £115,000 (2017 - 26 members contributing fees of £105,000) although there was a small amount of turnover in membership. A new CRIN Manager has now been appointed and a comprehensive delivery and engagement plan is in place to avoid further attrition. The charity received grants and donations totalling £1,802,848 (2017 - £1,077,181) (including campaigning and education income). Of the 32 organisations making grants and donations (2017 – 35), 22 (2017 - 25) made restricted grants as shown in note 4 to the accounts, and 10 (2017 - 10) made unrestricted grants as shown in note 1 to the accounts. The charity received £70,585 in donations from individuals (2017 - £51,728) and growing this category of income will be a major focus in the next financial year. The amount of cash held and cash equivalents had increased at year-end to £754,955 (2017 - £493,778).

### *Reserves policy*

It is the policy of the charity to maintain a reserve of unrestricted funds that is at least equivalent to three months budgeted expenditure as approved by the Board and as amended from time to time to take into account, for example, projected material changes in human and other resources, and new or abandoned projects not fully resourced out of restricted income.

The reserve is necessary to provide a buffer against unbudgeted and unexpected expenditure, thereby ensuring that adequate resources are always available to meet fixed and variable operational costs and unfunded projects, and to ensure that restricted funds, which currently provide the majority of the charity's incoming resources, are always safeguarded for the purpose for which they were provided.

Furthermore, as a crucial management tool, regular monitoring of adherence to the policy is undertaken at meetings of the Board and Finance, Audit and Risk Committee so that the Trustees may satisfy themselves as to the on-going financial viability of the charity. The executive team track reserves as a key metric in their monthly management accounts.

## Financial review (continued)

### *Reserves policy (continued)*

It is the Board's opinion that the current level of reserves is commensurate with the risks identified in its latest risk assessment but the Board will review this policy at regular intervals, making any amendments necessary to ensure that it is always adequate for the charitable company's purposes.

At 31 January 2018, the charity held unrestricted funds of £620,242 (2017 - £400,077) and £nil restricted funds (2017 - £nil). After adjusting for the net book value of tangible fixed assets, and excluding those reserves which have been designated, free reserves stood at £520,242 (2017 - £392,058). This level of free reserves is equal to 3.2 months expenditure based on our average monthly budgeted spend for 2018/19 and is in line with the policy.

## Future plans

ShareAction is growing steadily and having a significant impact in all areas of its work. Our plan for the next three years is to keep delivering on the priorities laid out above as they are providing an excellent framework for delivery. AODP will be a big feature of 2018, with three separate rankings planned during the year and plans in place for a significant fundraising drive to expand the programme from 2019. As WDI enters its second year we are looking ahead to future funding models and extending the impact of the work. We also plan to add a substantive third topic to our 'unlocking' work under the food and health banner – possibly in the area of childhood obesity where a bid for funding is already is well advanced.

## Structure, governance and management

### *Governing document*

Fairshare Educational Foundation (trading as ShareAction) is a company limited by guarantee without share capital and, since December 2006, also a registered charity. The company was established under a Memorandum of Association (subsequently amended) which established the objects and powers of the charitable company and is governed under its Articles of Association. Each member's liability is limited to £1.

### *Recruitment and appointment of Trustees*

The directors of the company are also charity trustees for the purposes of charity law. The Trustees are elected annually at the Annual General Meeting or may be co-opted by the Trustees to fill a vacancy or to bring the number of trustees up to the maximum number allowed by the Memorandum and Articles of Association. Any retiring Trustee may be re-appointed provided that his or her period in office does not exceed six consecutive years.

It is the practice of the charity to openly advertise opportunities to join the board of trustees. In appointing a new chair of the board in early 2015, the charity advertised this opportunity, receiving a range of applications from internal and external candidates. Both internal and external candidates were interviewed by a nominations committee that was formed for the purpose of making this important appointment.

**Structure, governance and management** (continued)

***Induction and training of Trustees***

Most Trustees already have experience of charitable organisations on appointment but if this is not the case they are provided with best practice and guidance (our membership of NCVO affords the charity access to the relevant resources). Their experience is developed further through their work with ShareAction. The Trustees spend a half day together to review the charity's strategy and progress annually, and also attend a session with the staff of the charity to discuss strategy and plans together. The Chair will undertake a board review from time to time involving each Trustee in making an appraisal of his or her contribution, skills, and areas for development. In 2017/18 a number of trustee positions are becoming available and a full skills audit will be undertaken in preparation. New trustees will be recruited with the future strategy of the charity in mind.

***Organisation structure***

The Trustees are required to hold at least three meetings each year and currently meet four times a year. The Trustees, assisted by the Chief Executive, are responsible for the governance of the charitable company. Trustees oversee and agree the strategy of the charity. In order to deliver the strategy, the Chief Executive prepares a Business Plan and budget for review by the Trustees ahead of each financial year. Once agreed, this document, which includes a range of key performance indicators, is used to measure and assess progress at the quarterly meetings of the board.

In 2015 the Governance Sub-Committee (now split into an HR and nominations committee and an audit and risk committee) facilitated the creation and implementation of a new remuneration policy and pay-spine to cover all positions within ShareAction. This was nominally benchmarked against NCVO data on charity sector salaries. This policy was revamped in 2017. All staff and the policy itself are reviewed at least annually against this scale.

***Statement of Fundraising***

The charity is registered with the Fundraising Regulator and reports compliance on an annual basis. The charity employs a professional fund-raising team who maintain a high standard of ethical fundraising and whose systems and practices are kept under continual review. It does not use the services of any third party organisation to help in its fundraising activities. No complaints were received about its fundraising activities during the financial year 2017/18. In the event of a complaint being received, then these are handled by a senior member of staff or the Chief Executive.

## **Structure, governance and management** (continued)

### *Trustees*

The members of the Board of Trustees who served as Trustees (and directors of the company) during the year were:

| Trustees | Appointed/resigned |
|---|---|
| Andrew Jonathan Clarke | |
| Stephen Davis | |
| Paul Dickinson | |
| Emma Howard Boyd | |
| Caroline Instance | Resigned 11 Nov 2017 |
| Mick McAteer | |
| Nicholas Tatman | Resigned 11 Nov 2017 |
| Jane Cooper | |
| Rob Ryan | |
| Lisa (Rebecca) Warren | |

Nicola Cullen resigned as Secretary on 2 March 2018.

### Statement of Trustees' responsibilities

The Trustees (who are also directors of ShareAction for the purposes of company law) are responsible for preparing the Trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom 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 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 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);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 charity will continue in operation.

**Statement of Trustees' responsibilities** (continued)

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that:

- so far as the Trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- the Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.
- This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Signed for and on behalf of the Trustees:

Print name: PAUL DICKINSON

Approved by the Trustees on: 24 JULY 2018

## Independent auditor's report to the members of Fairshare Educational Foundation

### Opinion

We have audited the financial statements of Fairshare Educational Foundation (the 'charitable company') for the year ended 31 January 2018 which comprise the statement of financial activities, the balance sheet, and statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 January 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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.

### Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. 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.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 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' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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

**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' 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 trustees 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' report and from the requirement to prepare a strategic report.

**Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees 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.

**Auditor's 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 auditor's 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.

**Auditor's responsibilities for the audit of the financial statements** (continued)
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. This description forms part of our auditor's report.

Edward Finch (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

6/8/18

## **Statement of financial activities** Year to 31 January 2018

| | Notes | Unrestricted funds £ | Restricted funds £ | **Total 2018 £** | Total 2017 £ |
|---|---|---|---|---|---|
| **Income:** | | | | | |
| Donations | 1 | 322,419 | — | **322,419** | 287,111 |
| Other trading activities | 2 | 140,000 | — | **140,000** | 138,125 |
| Investment income | 3 | 350 | — | **350** | 1,502 |
| Charitable activities | 4 | — | 1,480,429 | **1,480,429** | 790,070 |
| Other income | | 1,402 | — | **1,402** | 625 |
| **Total income** | | 464,171 | 1,480,429 | **1,944,600** | 1,217,433 |
| **Expenditure:** | | | | | |
| Cost of raising funds | 5 | 105,203 | — | **105,203** | 69,333 |
| Expenditure on charitable activities | 5 | 138,678 | 1,480,429 | **1,619,107** | 1,056,998 |
| **Total expenditure** | | 243,881 | 1,480,429 | **1,724,310** | 1,126,331 |
| Net income (expenditure) before losses on investments | | 220,290 | — | **220,290** | 91,102 |
| **Net gains (losses) on listed investments** | | (125) | — | **(125)** | 94 |
| **Net income (expenditure) for the year and net movement in funds** | | 220,165 | — | **220,165** | 91,196 |
| **Reconciliation of funds:** | | | | | |
| Total funds brought forward at 1 February 2017 | | 400,077 | — | **400,077** | 308,881 |
| Total funds carried forward at 31 January 2018 | | 620,242 | — | **620,242** | 400,077 |

All of the operations undertaken by the charity during the current and preceding year are continuing operations.

There is no difference between the net income and the retained net income for the year stated above, and their historical cost equivalents.

The charity has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been prepared.

**Balance sheet** Year to 31 January 2018

| | Notes | 2018 £ | 2018 £ | 2017 £ | 2017 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 8 | | — | | 8,019 |
| Investments | 9 | | 2,543 | | 2,014 |
| | | | 2,543 | | 10,033 |
| **Current assets** | | | | | |
| Debtors | 10 | 200,088 | | 390,380 | |
| Cash at bank and in hand | | 754,690 | | 493,592 | |
| | | 954,778 | | 883,972 | |
| **Creditors**: amounts falling due within one year | 11 | (337,079) | | (493,928) | |
| **Net current assets** | | | 617,699 | | 390,044 |
| **Total net assets** | | | 620,242 | | 400,077 |
| **The funds of the charity:** | | | | | |
| Restricted funds | 12 | | — | | — |
| Unrestricted income funds | | | | | |
| . Tangible fixed asset fund | | | — | | 8,019 |
| . General fund | | | 520,242 | | 392,058 |
| . Designated funds | 14 | | 100,000 | | — |
| | | | 620,242 | | 400,077 |

The financial statements were approved by the Board of Directors on and signed on their behalf by:

Print name: PAUL DICKINSON

Registered Company Number: 05013662

## **Statement of cash flows** Year to 31 January 2018

| | Notes | 2018 £ | 2017 £ |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net cash provided by operating activities | A | 267,579 | 75,430 |
| | | 267,579 | 75,430 |
| **Cash flows from investing activities:** | | | |
| Investment income | | 350 | 1,502 |
| Purchase of tangible fixed assets | | (6,177) | (4,440) |
| Proceeds from the disposal of investments | | — | — |
| Purchase of investments | | (575) | (501) |
| **Net cash used in investing activities** | | (6,402) | (3,439) |
| **Change in cash and cash equivalents in the year** | | 261,177 | 71,991 |
| **Cash and cash equivalents at 1 February 2017** | B | 493,778 | 421,787 |
| **Cash and cash equivalents at 31 January 2018** | B | 754,955 | 493,778 |

### Notes to the statement of cash flows for the year to 31 January 2018

### A Reconciliation of net movement in funds to net cash provided by operating activities

| | 2018 £ | 2017 £ |
|---|---|---|
| **Net movement in funds (as per the statement of financial activities)** | 220,165 | 91,196 |
| **Adjustments for:** | | |
| Depreciation charge | 14,196 | 6,023 |
| (Gains)/Losses on investments | 125 | (94) |
| Investment income | (350) | (1,502) |
| Increase in debtors | 190,292 | (241,762) |
| Increase in creditors | (156,849) | 221,569 |
| **Net cash provided by operating activities** | 267,579 | 75,430 |

### B Analysis of cash and cash equivalents

| | 2018 £ | 2017 £ |
|---|---|---|
| Cash at bank and in hand | 754,690 | 493,592 |
| Cash held by investment managers | 265 | 186 |
| **Total cash and cash equivalents** | 754,955 | 493,778 |

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the accounts are laid out below.

**Basis of accounting**
The financial statements have been prepared under the historical cost convention with items initially recognised at cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The accounts 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 United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

The accounts are presented in sterling and are rounded to the nearest pound.

**Critical accounting estimates and areas of judgement**
Preparation of the accounts requires the trustees and management to make significant judgements and estimates.

The items in the accounts where these judgements and estimates have been made include:

- the deferral of grant income received to future periods.

**Assessment of going concern**
The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these accounts. The trustees have made this assessment in respect to a period of one year from the date of approval of these accounts.

The trustees are aware that there is uncertainty around the income of the charity but are comfortable that they have the necessary visibility in order to manage this uncertainty. The trustees of the charity assessed the events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern and have concluded that the necessary measures (most importantly, monitoring of cash, reserves and forecasts and timely cost management) are in place to mitigate these concerns. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The Audit and Risk Committee ensures that these issues are given the necessary scrutiny.

As a result of the trustees' assessment, the financial statements have indeed been prepared on a going concern basis.

### Income recognition

Income including grants received is recognised in the period in which the charity becomes legally entitled to the income, it is probable the income will be received, and that income can be measured with reasonable accuracy. Income is deferred if the donor specifies conditions that the income is to be expended in a future period or where grants are awarded on an annual basis and the grant year is not coterminous with the charity's financial year

Income from membership subscriptions is accounted for when receivable. Fees relating to the subsequent period are carried forward as deferred income. Subscriptions are non-refundable.

### Expenditure recognition and the allocation of support and governance costs

Expenditure is recognised on an accruals basis in the period in which it is incurred. It includes related VAT which cannot be fully recovered and is reported as part of the expenditure to which it relates:

- Costs of raising funds comprise the costs associated with attracting voluntary income together with an apportionment of overhead and support costs.
- Charitable activities expenditure comprises those costs incurred by the charity in the delivery of its activities and services. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Expenditure incurred on activities falling directly within one cost category is attributed to that category. Expenditure which cannot be directly attributed, including governance costs, is apportioned on a reasonable, justifiable and consistent basis to the cost categories involved, e.g. allocating management costs by staff time.

Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice and are included within support costs.

### Tangible fixed assets

Additions to computer equipment, furniture, fixtures and fittings over £1,000 are capitalised where material and where the useful economic life is expected to exceed 12 months. Tangible fixed assets are depreciated over their useful lives.

Depreciation is provided at the following rate:

- Computer equipment – 25% per annum (on cost)

This policy was changed during the year ended 31 January 2018 and all assets with a cost of less than £1,000 but were previously capitalised were depreciated to £nil in that year.

### Pensions
The charity contributes to pension arrangements on behalf of its employees. Contributions payable for the year are charged to the income and expenditure account.

### Operating leases
Operating lease rentals are charged to the income and expenditure account as incurred.

### Taxation
Provision for corporation tax is not necessary, as the company is a registered charity. No deferred tax provision is required.

Tax recovered from voluntary income received under Gift Aid is recognised when the related income is receivable and is allocated to the income category to which the income relates.

### Foreign currency
Transactions in foreign currencies are translated into sterling at the exchange rate in operation on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the year end date. All revaluation differences and foreign exchange differences are taken to the statement of financial activities.

### Fixed asset investments
Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

### Debtors
Debtors are recognised at the settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid.

### Cash at bank and in hand
Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

### Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt.

### Fund accounting

General funds are unrestricted funds and represent the net surplus made by the charity during its operations. They are available to be used for the objects of the charity at the discretion of the Trustees.

Restricted funds can only be used for a particular purpose within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for a particular restricted purpose.

## 1 Donations

| | Unrestricted funds £ | Restricted funds £ | **Total 2018 £** | Total 2017 £ |
|---|---|---|---|---|
| **Grants and donations received** | | | | |
| Grants | | | | |
| . The Joseph Rowntree Charitable Trust | 35,000 | — | **35,000** | 35,000 |
| . Esmée Fairbairn Foundation | 46,667 | — | **46,667** | 43,833 |
| . Lankelly Chase Foundation | 50,000 | — | **50,000** | 58,334 |
| . The Tudor Trust | 40,000 | — | **40,000** | 45,000 |
| . Friends Provident Foundation | 25,000 | — | **25,000** | 18,750 |
| . The Polden-Puckham Charitable Foundation | 15,000 | — | **15,000** | 16,250 |
| . Unison | 167 | — | **167** | — |
| . Paul Hamlyn Foundation | 20,000 | — | **20,000** | — |
| . Frederick Mulder Foundation | 10,000 | — | **10,000** | 3,333 |
| Donations | | | | |
| . Donations from NGOs – The Serve All Trust | 10,000 | — | **10,000** | 10,000 |
| . Unite | — | — | — | 1,000 |
| . Donations from individuals | 70,585 | — | **70,585** | 55,611 |
| **Total 2018** | 322,419 | — | **322,419** | 287,111 |
| Total 2017 | 287,111 | — | 287,111 | |

## 2 Other trading activities

| | Unrestricted Total 2018 £ | Total 2017 £ |
|---|---|---|
| *Full members* | | |
| Unite – the Union | **2,000** | 2,000 |
| Oxfam | **2,000** | 2,000 |
| WWF – UK | **2,000** | 2,000 |
| Greenpeace | **2,000** | 2,000 |
| Christian Aid | **2,000** | 2,000 |
| Citizens UK | **2,000** | 2,000 |
| CAFOD | **2,000** | 2,000 |
| CWU | **2,000** | 2,000 |
| Friends of the Earth | **2,000** | 2,000 |
| Prospect | **2,000** | 2,000 |
| University and College Union | **2,000** | 2,000 |
| TSSA | **1,000** | 1,000 |
| Community Union | **1,000** | 1,000 |
| National Council for Voluntary Organisations | **1,000** | 1,000 |
| Unison | **—** | 2,000 |
| Other | **—** | 2,000 |
| Tearfund | **—** | 1,667 |
| Access – Now | **—** | 1,000 |
| EIRIS | **—** | 1,000 |
| Educational Institute of Scotland | **—** | 400 |
| | **25,000** | 33,067 |
| *Associate members* | | |
| Unison Midlands | **—** | 58 |
| | **—** | 58 |
| *CRIN Membership fees* | | |
| Trust for London | **5,000** | 5,000 |
| Tellus Mater Foundation | **5,000** | 5,000 |
| Barrow Cadbury Trust | **5,000** | 5,000 |
| The Joseph Rowntree Charitable Trust | **5,000** | 5,000 |
| The Joseph Rowntree Foundation | **5,000** | 5,000 |
| Lankelly Chase Foundation | **5,000** | 5,000 |
| Friends Provident Foundation | **5,000** | 5,000 |
| The Polden-Puckham Charitable Foundation | **5,000** | 5,000 |
| Comic Relief | **5,000** | 5,000 |
| Esmée Fairbairn Foundation | **5,000** | 5,000 |
| The Baring Foundation | **5,000** | 5,000 |
| The Tudor Trust | **5,000** | 5,000 |
| Jesuits in Britain | **5,000** | 5,000 |
| WWF-UK | **5,000** | 10,000 |
| Paul Hamlyn Foundation | **5,000** | 4,583 |
| Save the Children Fund | **5,000** | 3,333 |
| The Health Foundation | **5,000** | 1,667 |
| The Scott Trust Limited | **5,000** | 833 |
| Treebeard Trust | **5,000** | 417 |
| John Ellenman Foundation | **2,500** | — |
| Guy's and St Thomas' Charity | **2,500** | — |
| The Golden Bottle Trust | **5,000** | 5,000 |
| The Ashden Trust | **3,334** | 3,334 |
| JJ Charitable Trust | **3,333** | 3,333 |
| Mark Leonard Trust | **3,333** | 3,333 |
| The Jeremy Coller Foundation | **—** | 1,667 |
| Holly Hill Charitable Trust | **—** | 1,250 |
| Panahpur | **—** | 1,250 |
| | **115,000** | 105,000 |
| **Total** | **140,000** | 138,125 |

## 3 Investment income

| | Unrestricted funds £ | Restricted funds £ | **Total 2018 £** | Total 2017 £ |
|---|---|---|---|---|
| Bank interest receivable | 174 | — | **174** | 1,416 |
| Dividends receivable | 176 | — | **176** | 86 |
| Total 2018 | 350 | — | **350** | 1,502 |
| Total 2017 | 1,502 | — | 1,502 | |

## 4 Income from charitable activities

| | Restricted | |
|---|---|---|
| | **Total 2018 £** | Total 2017 £ |
| Finance Dialogue / European Climate Foundation | **369,270** | 87,341 |
| Department for International Development | **364,653** | 35,636 |
| MAVA Foundation | **120,963** | 95,588 |
| The Climate Change Collaboration (Ashden Trust; JJ Charitable Trust; Mark Leonard Trust; Tedworth Charitable Trust) | **110,833** | 33,334 |
| ClientEarth | **96,250** | 97,500 |
| Friends Provident Foundation | **77,500** | 18,750 |
| KR Foundation | **70,863** | 34,408 |
| New Venture Fund | **65,662** | 44,098 |
| The Jeremy Coller Foundation | **41,178** | 95,228 |
| City Bridge Trust | **39,625** | 39,750 |
| Barrow Cadbury Trust | **36,000** | 34,000 |
| Guerrilla Foundation | **30,543** | 2,777 |
| Network for Social Change | **19,059** | 7,500 |
| The Financial Reporting Council | **10,000** | — |
| WWF – UK | **7,500** | 2,500 |
| European Commission in the UK | **4,378** | 5,805 |
| Guy's and St. Thomas' Charity | **4,425** | — |
| Tellus Mater Foundation | **4,167** | 70,833 |
| Unison | **3,500** | — |
| VBDO | **2,610** | — |
| PRI | **1,250** | 6,250 |
| Humanity United | — | 26,597 |
| Trust for London | — | 15,333 |
| MSF International | — | 14,197 |
| WWF – Switzerland | — | 13,612 |
| Christian Aid | — | 2,083 |
| Joseph Rowntree Foundation | — | 1,200 |
| Other | **200** | 5,750 |
| Total 2018 | **1,480,429** | 790,070 |

## 5 Expenditure

| | Raising funds £ | Campaigning and education £ | **Total 2018 £** | Total 2017 £ |
|---|---|---|---|---|
| *Direct costs* | | | | |
| Staff costs (note 6) | — | 965,008 | **965,008** | 613,035 |
| Research & communication | — | 190,039 | **190,039** | 54,800 |
| | — | 1,155,047 | **1,155,047** | 667,835 |
| *Support costs* | | | | |
| Staff costs (note 6) | 87,862 | 229,139 | **317,001** | 289,725 |
| Other staff expenses | 2,544 | 34,575 | **37,119** | 10,429 |
| Legal & professional | 3,337 | 45,349 | **48,686** | 6,023 |
| Depreciation | 973 | 13,223 | **14,196** | 6,023 |
| Operating lease rentals (note 14) | 4,399 | 59,794 | **64,193** | 57,500 |
| General office costs | 3,127 | 41,743 | **44,870** | 49,520 |
| Website & ICT expenses | 1,644 | 22,345 | **23,989** | 15,465 |
| Travel and subsistence | 728 | 9,897 | **10,625** | 8,989 |
| Bank charges | 238 | 3,228 | **3,466** | 1,676 |
| Legal & professional fees | | | | |
| Auditors' remuneration | | | | |
| . Audit fee (including VAT) – current year | 351 | 4,767 | **5,118** | 4,250 |
| Irrecoverable VAT | — | — | — | 8,770 |
| Other expenses | — | — | — | 126 |
| | 105,203 | 464,060 | **569,263** | 458,496 |
| Total | 105,203 | 1,619,107 | **1,724,310** | 1,126,331 |

The allocation of costs between funds was as follows:

| | Unrestricted funds £ | Restricted funds £ | **Total funds 2018 £** |
|---|---|---|---|
| **2018** | | | |
| Raising funds | 105,203 | — | **105,203** |
| Campaigning and education | 138,678 | 1,480,429 | **1,619,107** |
| Total 2018 | 243,881 | 1,480,429 | **1,724,310** |
| **2017** | | | |
| Raising funds | 69,333 | — | **69,333** |
| Campaigning and education | 265,122 | 791,876 | **1,056,998** |
| Total 2017 | 334,455 | 791,876 | **1,126,331** |

## 6 Particulars of employees

The average number of employees analysed by function was:

| | 2018 No. | 2017 No. |
|---|---|---|
| Campaigning and education | **31** | 26 |
| Management and administration | **5** | 5 |
| | **36** | 31 |

| | 2018 £ | 2017 £ |
|---|---|---|
| Wages and salaries | **1,099,859** | 775,221 |
| Social Security costs | **104,753** | 72,753 |
| Pension costs | **77,397** | 54,786 |
| | **1,282,009** | 902,760 |

Two employees earned between £60,001 and £70,000 per annum (2017 - one) during the year.

No trustee received any remuneration for their services during the year (2017 - £nil). No trustees during the year received reimbursement for travelling expenses (2017 – two trustees received £342).

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis comprise the trustees and those members of staff who attend board meetings. The total cost of employment of the key management personnel for the year was £153,580 (2017 - £194,053).

## 7 Taxation

The company has been set up as a non-profit making charitable foundation and in December 2006 was registered as a charity and, therefore, is not liable to corporation tax on income or gains derived from its charitable activities, as they fall within the various exemptions available to registered charities.

## 8 Tangible fixed assets

| | Computer equipment £ |
|---|---|
| **Cost** | |
| Cost at 1 February 2017 | 24,016 |
| Additions | 6,177 |
| At 31 January 2018 | 30,193 |
| **Depreciation** | |
| Depreciation at 1 February 2017 | 15,997 |
| Charge for the year | 14,196 |
| At 31 January 2018 | 30,193 |
| **Net book values** | |
| At 31 January 2018 | — |
| At 31 January 2017 | 8,019 |

All tangible fixed assets were held for the charity's use.

## 9 Fixed asset investments

| | 2018 £ | 2017 £ |
|---|---|---|
| **Listed investments** | | |
| Market value at 1 February 2017 | 1,828 | 1,233 |
| Additions at cost | 575 | 501 |
| Net unrealised losses / gains | (125) | 94 |
| Market value at 31 January 2018 | 2,278 | 1,828 |
| **Cash held by investment managers for re-investment** | 265 | 186 |
| | 2,543 | 2,014 |
| Cost of listed investments at 31 January 2018 | 3,298 | 2,723 |

All listed investments were dealt in on a recognised stock exchange.

## 10 Debtors

| | 2018 £ | 2017 £ |
|---|---|---|
| Trade debtors | **161,484** | 355,995 |
| Other debtors | **25,831** | 24,226 |
| Prepayments | **12,773** | 10,159 |
| | **200,088** | 390,380 |

## 11 Creditors: amounts falling due within one year

| | 2018 £ | 2017 £ |
|---|---|---|
| Trade creditors | **20,884** | 2,989 |
| Other taxes and social security costs | **35,160** | 20,837 |
| Accruals | **15,236** | 12,743 |
| Deferred income | **254,826** | 446,981 |
| Other creditors | **10,973** | 10,378 |
| | **337,079** | 493,928 |

Deferred income comprises membership income, CRIN membership income and grant income.

| | 2018 £ | 2017 £ |
|---|---|---|
| Membership income | **12,250** | 12,250 |
| CRIN membership income | **48,333** | 43,333 |
| Grant income | **194,243** | 391,398 |
| | **254,826** | 446,981 |

## 12 Restricted funds

| | Balance at 1 February 2017 £ | Income and gains £ | Expenditure £ | Balance at 31 January 2018 £ |
|---|---|---|---|---|
| Barrow Cadbury Trust | — | 36,000 | (36,000) | — |
| City Bridge Trust | — | 39,625 | (39,625) | — |
| ClientEarth | — | 96,250 | (96,250) | — |
| Tellus Mater Foundation | — | 4,167 | (4,167) | — |
| WWF – UK | — | 7,500 | (7,500) | — |
| The Climate Change Collaboration (Ashden Trust; JJ Charitable Trust; Mark Leonard Trust; Tedworth Charitable Trust) | — | 110,833 | (110,833) | — |
| MAVA Foundation | — | 120,963 | (120,963) | — |
| The Jeremy Coller Foundation | — | 41,178 | (41,178) | — |
| Network for Social Change | — | 19,059 | (19,059) | — |
| The European Commission in the UK | — | 4,378 | (4,378) | — |
| KR Foundation | — | 70,863 | (70,863) | — |
| PRI | — | 1,250 | (1,250) | — |
| Department for International Development | — | 364,653 | (364,653) | — |
| European Climate Foundation | — | 369,270 | (369,270) | — |
| New Venture Fund | — | 65,662 | (65,662) | — |
| Friends Provident Foundation | — | 77,500 | (77,500) | — |
| Guerilla Foundation | — | 30,543 | (30,543) | — |
| Other | — | 200 | (200) | — |
| VBDO | — | 2,610 | (2,610) | — |
| The Financial Reporting Council | — | 10,000 | (10,000) | — |
| Unison | — | 3,500 | (3,500) | — |
| Guy's and St. Thomas' Charity | — | 4,425 | (4,425) | — |
| **Total restricted funds** | — | 1,480,429 | (1,480,429) | — |

## 13 Analysis of net assets between funds

Total funds are represented by:

| | Unrestricted funds £ | Tangible fixed asset fund £ | Restricted funds £ | **Total funds £** |
|---|---|---|---|---|
| Investments | 2,543 | — | — | **2,543** |
| Current assets | 954,778 | — | — | **954,778** |
| Creditors | (337,079) | — | — | **(337,079)** |
| | 620,242 | — | — | **620,242** |

## 14 Designated funds

The income funds of the charity include the following designated funds, which have been set aside out of unrestricted funds in the current year by the trustees for a specific purpose:

| Year to 31 January 2018 | As at 1 February 2017 £ | New designations £ | Utilised/ released £ | **As at 31 January 2018 £** |
|---|---|---|---|---|
| Europe fund | — | 53,972 | — | **53,972** |
| Systems development fund | — | 46,028 | — | **46,028** |
| | — | 100,000 | — | **100,000** |

The European fund will pay for our continued activities in Europe pending continuation funding (already applied for but not determined until mid-year). The Systems development fund will pay for the implementation of a contact management system, a cloud-based file management system and other systems and process work designed to both underpin the organisation's next phase of growth and to facilitate effective remote working.

## 15 Financial commitments

### *Land and building*

At 31 January 2018, the charity had the following future minimum commitments in respect to non-cancellable operating leases:

| | Land and buildings | |
|---|---|---|
| | **2018 £** | 2017 £ |
| Payable within one year | **39,780** | 64,800 |
| Payable between one to two years | — | 39,780 |
| Payable between two to five years | — | — |

### *Equipment*

At 31 January 2018, the charity had the following future minimum commitments in respect to non-cancellable operating leases:

| | Equipment | |
|---|---|---|
| | **2018 £** | 2017 £ |
| Payable within one year | **2,194** | 2,194 |
| Payable between one to two years | **2,194** | 2,194 |
| Payable between two to five years | **731** | 2,925 |

## 16 Pensions

The charity contributes to pension arrangements on behalf of its employees. Within each employee's contract of employment there is a clause whereby the charity will, if requested, contribute to the individual personal pension arrangements of the employee at the rate of 8% of gross salary. The pension cost for the year amounted to the figure shown in note 6.

## 17 Legal status of the company

The charity is a company limited by guarantee with no share capital and a registered charity. In the event of the company being wound up, the liability of each member is limited to £1. At the year end there were nineteen full members and one associate member.

## 18 Related party transactions

The aggregate amount of unrestricted donations received from related parties was £25,000. This comprises a donation of £25,000 from Friends Provident Foundation who also gave a restricted grant of £77,500 and paid £5,000 for CRIN membership in the year. One of the charity's trustees is also a trustee of Friends Provident Foundation.

Another restricted grant of £96,250 was received from ClientEarth of which one of the charity's trustees is also a trustee.

£5,000 was received from The Scott Trust for CRIN membership. The charity's CEO is a trustee of The Scott Trust.