

# Save the Children International Trustees' report, strategic report and financial statements for 2018

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## **Save the Children International**

### **Trustees' report, strategic report and financial statements for 2018**

The Save the Children International Board of trustees (herein referred to as the 'trustees') are pleased to present their annual report, strategic report and the audited consolidated financial statements of Save the Children International and its trading subsidiaries for the year ended 31 December 2018.

## ***Reflections from the Interim Chair of the Board***

2018 was Save the Children's 99th year in operation and we are proud of what we achieved for children.

As a movement, last year we reached over 40 million children across 118 countries with our programmes, helping them to survive, learn and be protected. Of those, Save the Children International reached just over 39 million in 61 country programmes.

We helped more children survive by strengthening national health systems and supporting community health workers in identifying and treating common childhood illnesses such as pneumonia, diarrhoea and malaria. We fed thousands of children at risk of starvation or suffering from malnutrition.

We helped millions of children learn so they can achieve their potential through our programmes to boost literacy and numeracy skills and our work to ensure children's education is not disrupted when they are caught up in emergency situations.

We have worked in development and humanitarian settings to prevent and respond to all forms of abuse, neglect, exploitation and violence affecting children to ensure they are protected.

We have made good progress on our strategy, increasing our impact through 15 'common approaches' – our programming approaches that achieve the greatest impact for children. We developed clear links between the day-to-day activities of our teams, the elements we believe are necessary to achieve change – innovative, evidence based programmes, advocacy and campaigns, partnerships and results at scale - and our strategic ambitions. This will enable us to monitor better how our programmes and advocacy work contributes to achieving our breakthroughs for children.

However, 2018 was also a challenging year for us.

Our sector came under intense scrutiny last year. Employee harassment claims emerged and it is clear that neither the sector, nor our organisation lived up to the standards demanded of us by our donors, partners, supporters and regulators, let alone our staff and the children we seek to serve.

We learned, ourselves, what it feels like to be the victim when we suffered a brutal terrorist attack on our office in Jalalabad, Afghanistan, which resulted in the deaths of four brave colleagues and, when a catastrophic vehicle crash in Cambodia killed a further four staff and seriously injured ten others.

These events forced us to reflect, and to respond.

We are determined to learn from past mistakes and 2018 has seen us take great strides to improve. We have strengthened policies and procedures to keep the children and communities we work with safer, as well as our staff. We have driven an emphasis on incident reporting, no matter how trivial the concern. And, we have taken a zero tolerance approach to any breach in our code of conduct. We have refined how we manage risk, both within Save the Children International and across the wider Save the Children Movement, beginning a shift from routine risk management exercises to a culture where discussions on how to approach the challenges we face and, the implications of them, are commonplace.

We are committed to change – we made a strong start in 2018 but there is more to do. And, do it we must.

2018 was also a challenging year for too many children worldwide.

Whether it is because of their gender, race, geography, or because they have a disability, millions of children are still being denied their rights. For them, every year is a battle to overcome the odds stacked against them.

Globally, the humanitarian need remained at record levels in 2018, with 135 million people in need of assistance. We stepped up to meet this need and to help the children worst affected by these crises, responding to 113 emergencies and reaching millions with life-saving interventions.

When the devastating earthquake and tsunami struck in Indonesia in September 2018, our teams worked round the clock to save lives and reunite separated children with their families. As refugees continue to flood over the border from Venezuela to Colombia and into Peru, we are opening child friendly spaces to give vulnerable children a safe space to be after their traumatic journey.

We established our global humanitarian surge platform, transforming how we manage deployments in emergencies, enabling us to have the right people in the right place at the right time when the need is greatest.

Indeed, conflict continues to drive much of the humanitarian need we see across the world. From South Sudan to Syria, more children are living in an area impacted by conflict than at any time in the past two decades. Time and again, we see shocking violations of international law becoming the new normal. Yemen is a case in point on how humankind has created the world's worst humanitarian crisis, yet we are proud of the life-saving work Save the Children does there under the most difficult of conditions.

The scale of children suffering in warzones is why we will launch a new global campaign in 2019 – our 100th year in operation – to Stop the War on Children. We aim to reignite the spirit of our founder, Eglantyne Jebb, and shine a light on the suffering of these children and urge the world to do more to protect them.

With so many challenges and facing such dire circumstances, children need organisations like us more than ever. To survive and have impact, we must be effective and efficient. We have developed our 2019-2021 global plan to have a sharper focus on reaching the most deprived and marginalised children and improve our humanitarian responses. We will drive high quality programmes and advocacy; engage the public to support our cause and change how we work to be fit for the future. It cannot just be business as usual if we want to achieve our goals for children.

Most of all, we must be there for children, walk side by side with them, provide them with tools for survival and better health, a safety network and better protection, opportunities to learn and gain an education. We must help them express their voice, articulate their needs and empower them to achieve their goals. They must become, and be treated as, citizens.

It is a privilege to act as Interim Chair of the Board for such a powerful movement for children and I am proud of what we have achieved for children in 2018.



Pernille Lopez  
Interim Chair of the Board of Trustees (from 11 May 2018)

## **Who we are**

We are one of the world's leading independent organisations for children. We work to save children's lives. But we are also committed to helping children fulfil their potential. The fight to secure children's rights is the foundation of all our work.

**Our vision** is a world in which every child attains the right to survival, protection, development and participation.

**Our mission** is to inspire breakthroughs in the way the world treats children and to achieve immediate and lasting change in their lives.

**Our values** are Accountability, Ambition, Collaboration, Creativity and Integrity.

Save the Children is the leading independent organisation for children. For 100 years, we've worked to ensure all children realise their rights.

Our ambition is to ensure that by 2030:

- no child dies from preventable causes before their fifth birthday;
- all children learn from a quality basic education;
- violence against children will no longer be tolerated.

We cannot do this alone. To achieve these breakthroughs, we must inspire others to join our cause, whilst focusing our direct contribution on reaching the most marginalised and deprived children to ensure no child is left behind on the progress made by the rest of the world.

### ***The Save the Children Association***

The Save the Children Association – known as Save the Children – comprises 28 members (27 full members and one associate member<sup>1</sup>) as well as Save the Children International.

### ***Save the Children International***

Save the Children International is mandated to deliver international programmes and coordinate global campaigns on behalf of the entire Save the Children organisation.

With the exception of the section titled 'Our impact', which also includes information about the Save the Children Association, the following pages report on Save the Children International's strategic activities and finances in 2018.

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<sup>1</sup> \*An associate member is entitled to use the Save the Children brand but, until progression to full membership, does not have full rights under the Save the Children Bylaws, including those relating to voting rights.

## Our impact

Our global impact and progress towards our breakthroughs in 2018, as reported in this section, have been achieved through the combined efforts of Save the Children members and Save the Children International.

In 2018, we worked together to ensure all children survive, learn and are protected by positively contributing to the lives of some of the most marginalised and deprived children across the globe. Through our programming, advocacy and campaigns, we:

- directly reached **40.8 million children<sup>2</sup>** through our work and the work of our partners, of which 39.4 million were reached through Save the Children International's operations specifically.
- responded to **113 emergencies across 58 countries**, of which Save the Children International led 97 responses across 47 countries.
- contributed to **30 significant changes and implementation of policy or legislation change** related to the most marginalised and deprived groups of children in different countries, regions and internationally.

Specifically through Save the Children International's programme operations, we worked to ensure...

### **...all children survive...**

Every child has a right to survival and yet almost 5.4 million children each year die of preventable causes before their fifth birthday. These deaths are often due to poverty, weak health systems and lack of access to health care. We know that simple, low-cost interventions can help more children survive.

In 2018, we worked to strengthen national health systems; for example, training community health workers to spot, diagnose and treat common childhood illnesses such as pneumonia, diarrhoea and malaria – as well as malnutrition.

In Cote d'Ivoire, we worked with the Community Health Directorate and the National Malaria Control Program to expand community health work to 44 districts. This work has resulted in 64,122 pregnant women receiving preventative treatment for malaria, improving the likelihood of good maternal, newborn and child health outcomes. We trained Community Health Workers to manage cases of diarrhoea, pneumonia and uncomplicated malaria at the community level, leading to 9,999 children receiving treatment for pneumonia and 4,518 cases of diarrhoea being referred to health facilities for treatment.

Around the world, we also provided special care for premature and ill infants to help them survive their first 28 days of life. We supported adolescents to access healthcare specific to their needs, and worked to address the global issue of undernutrition, which contributes to nearly half of all deaths in children under five.

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<sup>2</sup> The total number of children that the Save the Children Association reached directly in 2017 was 49.6 million. The lower figure for 2018 mostly reflects the reduction in projects and their geographical scope in some countries (mainly Afghanistan, Ethiopia, Malawi, Mozambique, Niger, Nigeria, Pakistan and Vietnam). Notable examples include: a decline in direct reach in Afghanistan from 1.5 million to 0.6 million children following the end of the "Let's write for Afghan Children" education project that was implemented in 11 provinces; a reduction in the scope of the Vietnam Vitamin Angels project from 63 provinces in 2017 to 29 provinces in 2018; and the scaling-down of a large nutrition project in Nigeria from five to two states (from 6.3 million children in 2017 to 4.8 million in 2018). A person is reached directly when she or he has received one or more project/programme inputs from Save the Children or a partner; or has participated in activities or accessed services provided by Save the Children, a partner, or institutions or individuals supported by Save the Children or its partners.

In Mali, our work with the government helped secure a commitment from the Head of State to make health care free of charge to children under five, pregnant women and adults over 70 years old.

Our full range of health and nutrition programmes directly reached 27.2 million children around the world in 2018.

### **... learn ...**

All children have the right to learn from a quality basic education. However, more than 260 million children are out-of-school, and 250 million cannot read, even after completing four years of primary education.

Our programmes aim to help children develop so they are ready and equipped to learn when they start school. We ensure that children learn to read and write within the first three years of primary education, and that schools are places where children are safe and happy. We also believe that no child's learning should stop if they are caught up in a crisis.

In 2018, early literacy and maths was mainstreamed in major education projects in Nepal and Bhutan, with 76% of early childhood care and development centres and 64% of primary schools (grade 1-5) achieving safe and inclusive quality learning environments. In northern and eastern regions of Uganda, we supported 33,662 children to access basic education, with improved literacy and numeracy learning outcomes. In northwest Balkans, we supported two cantons to define and adopt strategies for inclusive education, directly improving the lives and development of 5,000 children with disabilities.

We worked with governments in Bangladesh, Cote d'Ivoire, Ethiopia, Malawi and Vietnam to scale up and adopt our *Numeracy Boost* content into their programmes and resources. And, in Malawi, *Numeracy Boost* programmes were implemented in three districts resulting in a 14% improvement in numeracy skills among learners.

We established competency-based education classes in Afghanistan, where our Education in Emergencies projects directly reached 127,596 girls and 103,667 boys. In Rwanda, we provided numeracy, literacy and protective education opportunities for conflict-affected Burundian children. Through our long-term joint advocacy efforts, governments at the United Nations General Assembly pledged \$70 million for the *Education Cannot Wait* fund and pushed the education of refugee children up the political agenda.

Our full range of education work directly reached 7.5 million children around the world in 2018.

### **... and are protected.**

Save the Children works to ensure that violence against children is no longer tolerated. We work with governments, communities, families and children to put in place laws, policies and services to support children, and promote social norm and attitude changes. We work to prevent and respond to all forms of abuse, neglect, exploitation and violence affecting children – in their homes, schools and communities.

In 2018, we implemented a violence-free school programme in one of the areas most affected by violence in Guatemala City, equipping 14,248 children with the skills to cope and improve their resilience.

Our teams also protected children in humanitarian crises. In South Kivu, Democratic Republic of Congo, we helped 132 children associated with armed groups return to their families (or foster families) and provided 11,000 children with access to child friendly spaces, where they can have a safe place to learn, play and receive psychological support.

In Iraq, we provided 8,971 vulnerable girls with case management services to receive individual and specialised support to cope with their experiences of violence.

In Nepal, Save the Children played a critical role in securing legal changes in a progressive Children's Act, which will prohibit corporal punishment of children. This makes Nepal the 54<sup>th</sup> State in the world and the first in South Asia to ban this crime against children.

Our full range of child protection work directly reached 2.7 million children around the world in 2018.

### ***Reaching children in crisis***

Save the Children International's humanitarian response work supported children and their families in 97 emergencies across 47 countries in 2018, making up 45% of the total programmatic spend.

We are proud of the scale and scope of our response to the Rohingya crisis in 2018; we were the only international non-governmental organisation with a fully integrated response, which was operational across all sectors. We operated 30 stationary and 52 mobile child friendly spaces, as well as 160 temporary learning centres. Our response reached 781,390 people, including over 454,477 children.

More than 22 million people are in need of urgent humanitarian assistance in Yemen. By the end of 2018, it was reported that around 120,000 children were facing 'catastrophic' conditions due to a potential lack of food. In extremely dangerous environments, our teams continued to provide health and nutrition support, as well as distributing teaching supplies to ensure children continue to learn, setting up child friendly spaces, and helping families to access food through food baskets and cash transfers. Our response reached more than two million people in 2018.

The crisis in Syria is now heading into its ninth year, and 13.1 million people remain in desperate need. Despite significant security-related challenges, we reached more than 480,000 people in the North West and North East of the country in 2018. This work included ongoing assistance to health and nutrition facilities, setting up child friendly spaces and supporting 125 education facilities.

In 2018, there were large outbreaks of cholera and Ebola in the Democratic Republic of Congo. Our teams worked tirelessly to stem the cholera outbreak and are training health staff to communicate lifesaving health messages which will fight the spread of Ebola; actions which, following the Ebola outbreak in West Africa in 2015, we know save lives.

In September 2018, a 7.4 magnitude earthquake hit the island of Sulawesi, Indonesia triggering a deadly tsunami. The earthquake and tsunami took more than 2,000 lives and left more than 133,000 people displaced from their homes. We worked quickly to distribute shelter and hygiene kits, to reunite children with their families, to establish child friendly spaces and temporary learning centres, and to build temporary latrines and water points. We were able to respond swiftly as a result of a strong country office supply chain.

Our work to reach children in crisis also included responding to the escalating Venezuelan migrant crisis. Through our response in Colombia and Peru, we reached more than 37,000 people, distributing water filters, solar lights and hygiene kits for families. We constructed child friendly spaces where we provide psycho-emotional support, recreational activities and child rights sessions for children, and we have distributed school and teacher kits to support schools with expanding classroom sizes and integrating Venezuelan children.

### ***Campaigning for Every Last Child***

The world has made tremendous progress for children – the number of children dying from preventable causes, or who are out of school has halved in a generation. However, millions of children are still being left behind because of who they are or where they are from.

Over the last three years and coordinated by Save the Children International, our 70 country offices and members have focused on those children who are least likely to survive and learn in their countries simply because of who they are and where they were born. These children have been excluded from global progress and we support them by running national-level campaigns on refugees, girls, street children, children living in rural communities, and children with disabilities.

In 2018, we strengthened our commitment to helping more girls survive and fulfil their potential by sharpening our focus on ending child marriage. Building on momentum from the 2017 High Level Meeting on Ending Child Marriage in Dakar, we directly contributed to the African Union Peace and Security Council adopting a request to expedite the development of a strong monitoring and evaluation mechanism to end child marriage. We also made further progress at the national level in seven countries across Africa. We worked for three years with various governments and UN alliances to influence the United Nations resolution that was adopted to end child marriage.

Our focus on refugees contributed to the European Union's 10% funding increase of Education in Emergencies and Education Cannot Wait, which launched a multi-year response plan in one of Save the Children's learning centres in Bangladesh for Rohingya refugees.

Together with Save the Children members, we proved it possible to mobilise the public and important stakeholders around our ambition to make the world a better place for the most deprived and marginalised children. With original research, strong news lines, powerful partners and compelling stories of children, in 2018 we have cemented our reputation as a key player on the timely provision of education for refugee children and for ending child marriage.<sup>3</sup>

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<sup>3</sup> More information on public mobilisation and impact achieved through the campaign can be found here: <https://campaigns.savethechildren.net>

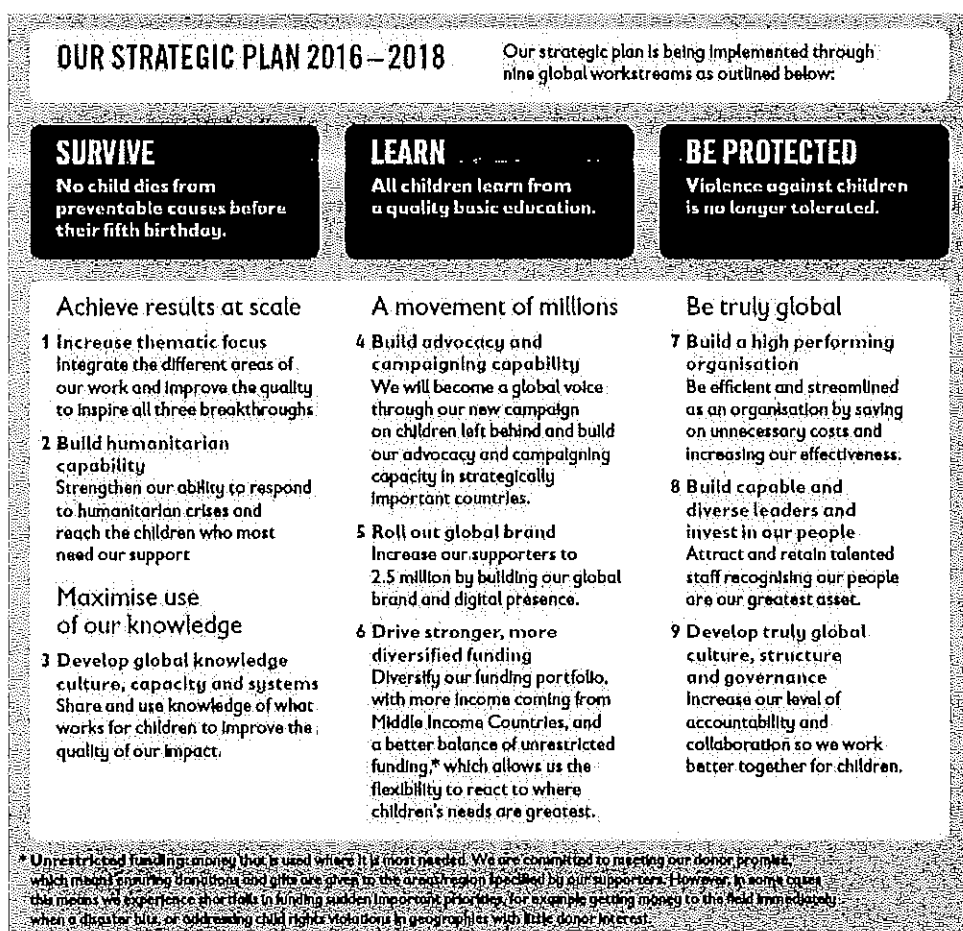


## Our global strategy: Ambition for Children 2030

In 2016, the wider Save the Children Association launched a 15-year global strategy to ensure that by 2030:

- No child dies from preventable causes before their fifth birthday
- All children learn from a quality basic education
- Violence against children is no longer tolerated.

This is the first time all Save the Children members, together with Save the Children International, have agreed a shared strategy that is being implemented across the organisation. 2018 represents the final year of the first three-year period, during which our work plan was implemented through nine global work streams outlined below.



### Progress delivered by Save the Children International in 2018

Save the Children International is responsible for driving key initiatives within the three-year strategic work plans. In 2018, we directed the majority of our efforts and resources into:

- increasing the quality of our programmes and campaigning with a focus on impact for the most deprived;
- supporting members to grow unrestricted income and a stronger institutional funding portfolio; and
- improving our efficiency and effectiveness with a continued focus on country office operations.

In 2018, Save the Children International also led the development of our wider Save the Children Association 2019-2021 strategic work plan.

### Increasing quality and impact

Save the Children is committed to strengthening the quality of its programmes, therefore achieving greater impact through our programmes for children. One of the ways we're doing this is by focusing and scaling up on what we know is best practice and delivers on the greatest change for children. By the end of 2018, we had identified and endorsed 15 'common approaches.' Common approaches are our highest quality programmes – they come with a body of evidence to demonstrate that they work; we have a wealth of experience and expertise in delivering them; they are adaptable to our different countries and contexts; and they have the highest impact for children.

We improved our ability to identify which children face the greatest barriers to survival, learning and protection, through strengthened child rights situation analyses. In addition, we improved our ability to measure impact for those children, through our global results framework.

We established our global humanitarian surge platform, transforming how we manage deployments in emergencies. We signed on to the Grand Bargain and continued to implement the Core Humanitarian Standard as the norm in our work following a successful external audit in 2017 where we passed on all nine commitments. Our focus in 2018 was on localising expertise and on quality of responses in partnership with communities and organisations on the ground.

### ***Growing our income***

Supporting members to diversify and grow income is a central part of our global strategy. In order to reach the most deprived and marginalised children, we need to have flexible funds so that we can direct our resources to the places and people most in need.

By the end of 2018, the Save the Children Association had increased our global unrestricted income to over \$500 million, representing 23% of total income. While this falls short of the original target of 25%, income growth in absolute terms, was healthy. Save the Children International facilitated the sharing of best practice and common fundraising tools and assets to support members in growing their unrestricted income. We improved our understanding of the key drivers of our institutional performance and completed a Brexit Impact Scenario analysis for our European Union partnership. Together with members we also launched our first-ever Save the Children global digital platform for fundraising, strengthening our digital capability and our coherence in non-member markets, and developed a Digital Infrastructure Benchmark study to inform our digital strategies for the near future.

### ***Improving efficiency and effectiveness***

At the end of 2018, the majority of our projects to become a high performing organisation were on track, including projects to improve consistency in how we allocate costs and manage our staff information. We continued to strengthen the way we source, purchase and distribute programme and other supplies leading to an annualised saving of \$11.4m and reducing the risk of fraud. We fell short of our 70% target for the proportion of country offices meeting our internal operational targets at 44%, albeit up from 11% in 2016.

Last year, we continued our focus on building the culture we want to improve stability and development of our people – particularly in country leadership. A set of talent management tools and approaches was created to know our talent better, help them develop and grow within Save the Children, and to help move within the organisation. By the end of 2018, we had increased the average length of service of country leadership to 31 months from 20 months in 2016. There is now an internal promotion rate of 70%. Our senior management teams are now 32% from countries with less developed economies, while 41% of our leaders are female.

In 2018, we focused on tightening our internal controls to reduce the risk of fraud and to improve our policies and protocols around child safeguarding while always acknowledging that there is more we need to do in this vital area. We strive to ensure all staff complete safeguarding training within three months of joining Save the Children International and are implementing plans to strengthen

awareness, prevention, reporting and response. We updated all risk and fraud policies and procedures and have incorporated regular reviews into our ways of working.

We also renewed the focus on workplace conduct, making it clear the standards Save the Children International expects and demands from its staff. Leveraging a victim-centric approach, staff know that Save the Children has a zero tolerance approach on all breaches to our code of conduct.

We developed a global definition, response and reporting framework to allow better visibility of incidents – relevant from allegations of fraud to child and staff safeguarding – from the initial report, through the investigation and onwards to the closure of investigations in country and regional offices.

### **Key challenges**

In 2018, we identified a number of challenges to be addressed in operations and risk. The main challenges were specifically identified in-country office operations, data protection, whistleblowing and cost efficiency. We are taking the necessary steps to address these issues.

Throughout 2018, we made progress on improving our systems and processes related to our organisational strategy, programme quality and impact, our people and their development, and funding across the organisation. This includes adopting a clear and achievable strategy that links planned activity with our Global Ambition 2030.

### **2019 – our centenary year**

In 2019, the Save the Children turns 100 years old. At the end of 2018, Save the Children International led the development of a new three-year plan for itself and all the members of the Save the Children Association. The plan will focus our efforts on achieving impact in countries where the need and potential for change in the next few years is highest. We have developed more targeted breakthrough objectives to focus and measure our impact in 2019-2021. As part of these objectives and leveraging the opportunity of our 100th year in 2019, we are specifically committing to tackling childhood pneumonia, expanding access to quality early learning and protecting children in conflict.

To improve the quality and impact of our work, we are focusing our efforts to align programmes, institutional fundraising, and advocacy behind our best practice, evidence-based work – our common approaches. We will finalise a global results framework which will enable our whole organisation to track how our day-to-day work leads to impact for children at the global level. This framework, and the data that it will produce, will allow us to make informed decisions and hold ourselves to account on the promises we have made for children.

We will continue to use our established expertise and knowledge on what children need by offering life changing and lifesaving programmes to children in emergency situations and every day around the world.

To engage the public to support our cause, we will coordinate a new Movement-wide, public-facing global campaign – Stop the War on Children. We will increase our work on the ground to protect children in war and we will use our voice and influence to make sure those in power meet their responsibilities to protect children living in or affected by conflicts they did nothing to create.

## ***Risk management and internal control***

Save the Children International faces challenges and risks every day due to the complex and unstable environments that we work in. As such, we consider strong risk management and robust internal control to be critical components of our operations. It enables us to uphold and protect our reputation and, as a result, gain the trust of the children and communities we work with as well as the individual and institutional donors who support us.

In 2016 we put in place a Control Upgrade Plan and since then we have significantly improved our risk management and internal control. We have developed our internal control processes and a global risk management framework, including a clearly defined risk appetite, an incident reporting and case management system, and established a governance mechanism for escalating risk incidents and concerns to the trustees. While these are significant improvements, we recognise that we need to make further progress. In order to gain the full benefit of these improvements there is a need to continue to focus on developing a disciplined control mind-set with a focus on training and robust oversight from country offices, regional offices and the centre. Strong risk management enables us to use our funding efficiently and effectively to serve our beneficiaries in the best way possible.

### ***Risk appetite***

We work in many hostile or unstable environments and the trustees recognise that, in order to achieve our objectives, we must accept some risks that are outside our control, as long as we have undergone risk assessments and sensible mitigation. Therefore, we have set a clear risk appetite consisting of four elements: 1) appetite statement; 2) summary of the appetite and its implication; 3) conditions of criticality; and 4) conditions of escalation. The risk appetite serves to guide decision-making.

In 2018, we significantly clarified our risk appetite to ensure that country and field offices – where we face the greatest risks – have clear guidance on the level of risk the organisation is willing, and able, to accept.

Conditions of criticality refers to the factors we consider to be of critical enough importance that we are willing to accept more risk in order to achieve our programmatic objectives. Defining conditions of criticality enables quicker decision-making, especially in relation to rapid onset emergencies.

The trustees are informed of serious incidents as a matter of routine, however, some specific risks may require direct decision-making by the trustees. Conditions of escalation refers to the set of conditions that require trustees to be directly involved in decision-making.

### ***Risk governance (risk monitoring and reporting)***

We document and manage risk at country offices, regional offices and centre level. Risks are formally documented in risk management plans, as well as in risk assessments specific to individual grants. Since 2015, we have specified certain risks that all country offices are required to assess on a routine basis. These include our organisational responsibility to mitigate the risk of child safeguarding incidents; terrorism financing; fraud incidents; safety and security; and the compliance capacity of the wider Save the Children Association and our partners. We consider managing and mitigating these risks to be instrumental to achieving our strategic and operational objectives.

Regional Risk Committees review risk reports, provide support to country offices in managing key risks and act as a mechanism for escalating risks to the centre and board committees. At the centre, we have established a Risk Management Committee, which assists the Senior Leadership Team to identify and discuss the key risks that could limit the organisation's ability to achieve its objectives. Those risks, together with ratings and mitigation plans, are discussed by the trustees and the Audit and Risk Committee. The trustees are accountable to children, Save the Children members, donors,

regulators, including the Charity Commission, partners, staff as well as the Save the Children Assembly<sup>4</sup>.

### ***Incident reporting, case management and cross-functional risk management***

Our incident reporting, case management and cross-functional risk management have clear procedures, mechanisms and processes to 'detect, react, report, manage, and mitigate' risk. In 2018, we used our incident reporting and case management system – Datix – to report and manage all child safeguarding and fraud incidents and concerns. In 2019, we plan to use the Datix system to report and manage incidents and concerns in the following additional areas: global safety and security; IT security and data protection; clinical incidents; and HR complaints (including sexual harassment, assaults, general harassment and bullying). In addition, we are in the process of launching a global whistleblowing hotline, linked to the Datix system.

The trustees of Save the Children International communicate all serious incidents with the Charity Commission, Save the Children members (to inform donors).

### ***Managing Save the Children Association-wide risk***

We recognise that risks materialising in a Save the Children member country could pose a risk to other entities across the association despite no fault of their own. As such, we work closely with members to ensure that the systems and processes in each of our respective organisations are sufficiently strong and aligned in order to have visibility of, and best mitigate, Save the Children Association-wide risks.

### ***Child safeguarding***

Save the Children has a zero tolerance policy towards the abuse and exploitation of children by anyone involved with our programmes, including staff, partners and others representing our cause, such as volunteers. We are deeply committed to preventing any intended and unintended harm to children caused either directly, or indirectly, by our activities.

Save the Children International has a global child safeguarding policy, which outlines and requires the following:

- Save the Children aims to be a child safe organisation.
- Everyone associated with Save the Children must be made aware of the problem and risks of child abuse and sexual exploitation for children.
- Save the Children recruits only representatives who are suited to work with children and to apply strict child safe recruitment practices.
- Everyone associated with the organisation must sign the Code of Conduct, read the Child Safeguarding Policy and attend child safeguarding training.
- Anyone who represents our organisation behaves appropriately towards children and never abuses the position of trust that comes with being a member of the Save the Children family. This applies to both the private and professional lives of all staff and representatives.
- Everyone who represents the organisation must actively create a safe environment for children who come into contact with the organisation.
- All activities and programmes of work, including during the response to humanitarian emergencies, are assessed for risks to children and these risks are reduced or mitigated by all means within our control.
- Save the Children International's central, regional and country offices establish and maintain robust systems, which promote awareness of child safeguarding, enable the prevention of harm, and facilitate the reporting of, and responding to, safeguarding concerns.

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<sup>4</sup> The Save the Children Assembly comprises of the CEOs and Board Chairs of the member organisations and is the entity with the highest authority within the Save the Children Association. The Assembly has final decision rights under the Bylaws on key decisions, including membership, mission, strategy, global accountability and brand.

### ***Improving child safeguarding – Progress in 2018:***

We continued to focus on prevention through safer recruitment and by ensuring that programme design includes safeguarding of children. We set up protocols to enable swift reporting of any new concerns to the Charity Commission – in line with the statutory guidance, this now occurs at ‘allegation stage’ (before the concern has been substantiated).

To improve our accountability to children, we focused intensively on the quality of our investigations and subsequent reports, developing a comprehensive child-focused investigations training programme and training a new pool of 37 investigators, with a range of languages.

Safeguarding assurance – we have successfully passed two external audits: the European Civil Protection and Humanitarian Aid Operations,<sup>5</sup> audit covered seven countries while the UK government Department for International Development safeguarding due diligence assessment covered Save the Children International and Save the Children UK practices. In addition, the Department for International Development are conducting safeguarding assurance in several countries.

The Child Safeguarding Policy and Protocol was revised and approved by the Senior Leadership Team and additional child safeguarding procedures and training were produced to help ensure our high standards in child safeguarding are always met, everywhere in the world.

### ***Key challenges***

Overall, our progress in 2018 on improving our child safeguarding has been substantial, however, there is still work to be done to achieve full implementation. Key challenges include: the capacity of our partners on child safeguarding; the use of harmful traditional practices among our staff, partners and volunteers (such as the use of physical and humiliating punishment, Female Genital Mutilation and child marriage); and we believe the number of overall concerns being reported is still too low. We believe that higher numbers of reported concerns is a measure of efficient, accessible and safe reporting and suggests that those reporting have confidence that their concerns will be taken seriously and investigations will be thorough. If more concerns are reported and all reports are investigated, any violation or breach of our code of conduct is far more likely to be identified and dealt with. The knowledge that perpetrators are highly likely to be identified and held to account for their behaviour will deter people from breaching our code of conduct, keeping our organisation safer.

We will be relentless in ensuring our programmes are designed to be safe for children. We will reduce the variance between different countries and regions when it comes to reporting and delivering an effective, survivor-focused response. 2019 will be the year of continued effort and focus on improving our accountability to children, and we will build from our base of substantial child safeguarding success in 2018.

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<sup>5</sup> Formerly known as the European Community Humanitarian Aid Office (ECHO)

#### Number of child safeguarding concerns reported 2011 - 2018

2011	3
2012	3
2013	31
2014	63
2015	80
2016	193
2017	210
2018	369

#### ***Incidents and actions 2018***

369 child safeguarding concerns were reported in 2018. As of 14th January 2019, 298 cases had been closed and 71 were still being investigated. Of the 298 closed cases, 165 involved Save the Children staff or volunteers, 54 involved our partners and 79 did not involve Save the Children or partner staff.

Of the 219 incidents involving Save the Children staff, volunteers or partner staff:

- 115 were proven to be child safeguarding violations. The others were proven false or not proven due to insufficient or unclear evidence.
- 34 cases led to dismissals and 76 in other remedial actions, such as formal warnings or contract termination and in 5 cases staff resigned immediately.
- 33 cases were reported to the local authorities.

As part of our zero tolerance policies and commitment to child safeguarding, we worked closely with our partners in each of these cases to ensure the safeguarding concerns were handled effectively.

#### ***Focus areas for 2019***

Our focus in 2019 will be on ensuring our response is survivor-focused; address barriers to zero and low reporting; safe programming; building capacity at the field level; and fully embedding our approach to safeguarding in humanitarian contexts. We will institute robust data gathering on our child safeguarding training to check compliance with our policy that all staff must complete training within three months of joining, taking the necessary action where this target is not met. We will assess country offices' level of adherence with new policies and develop action plans to ensure 100% compliance. Finally, we will work to strengthen safeguarding capability and to reduce safeguarding risks among our partners, prioritising those in high-risk areas.

#### ***Risk related to financial performance***

The bi-annual Financial Control and Compliance Committee, chaired by the Chief Financial Officer and with participation of the Chief Operating Officer, Chief Risk Officer and attendance by KPMG, continues to steer an improvement in core financial controls and compliance in new risk areas such as vetting, mandatory training requirements and IT security. A focus on reducing fraud and disallowances continues and we will continue to drive process and control improvements.

In 2018 we completed the implementation of a new effort reporting system and cost allocation methodology across all regional and country offices. The new system and methodology enable us to capture and allocate staff cost quickly and accurately as well as ensure support costs are allocated to awards in a fair, transparent and consistent way for all donors. We were able to gain wider donor support for the new cost allocation methodology in 2018 and, as a result, we have reduced the risk of donor disallowances due to unsubstantiated staff time allocation or inconsistent support cost allocations. Furthermore, the financial data flow across the organisation is stronger and faster, allowing for better informed decision making. In 2019 we are planning a continuous improvement review with a particular focus on how we manage contracts.

Oversight of Treasury operations materially improved in 2018. We established a standing Treasury Committee, chaired by the Chief Financial Officer and with participation from the Risk, Legal and Finance functions. In addition, we developed and approved the approval of four new Treasury policies covering Save the Children International's Liquidity, Foreign Exchange, Interest and Compliance risks.

We have taken significant steps to strengthen our insurance risk management. In particular, in December 2018, we appointed a new global insurance broker for all non-employee related insurance. An appointment that, in 2019, has already resulted both in a successful renewal of Save the Children International non-employee insurance cover and provided significantly enhanced visibility and improved management of global non-employee insurance coverage. Our employee insurances are already covered by a global broker agreement and centrally held insurance policies also successfully renewed in early 2019. A global employee insurance policy optimisation project is underway.

Budget forecast accuracy is still lower than expected and for 2019 this is a major focus area. Key performance indicators have been updated to target forecast accuracy at award level rather than at a country level. Forecast accuracy is regarded as a crude measure of a country's ability to work cross functionally and is a priority for Country Directors and Finance Directors.

New transformation projects coming online in 2019 will support improved processes and improved record keeping. Implementation of an automated system for sourcing and paying for goods and services and an automated scheme of delegation will begin in 2019, leading to purchasing savings and increased use of framework agreements. It will also improve key financial processes including accrual posting, appropriate sign off and document retention. And, in 2020, a new project management methodology and management information system will be implemented, improving proposal budgeting, project forecasting and performance tracking.

While the income levels in our member organisations fluctuate member to member, due to the portfolio approach, Save the Children International is not significantly impacted by this volatility. Unrestricted income across the Movement has in fact continued to grow year on year and increased by 4% across during 2018.

The tax environment is becoming increasingly complex with regard to expatriate tax. We monitor this position regularly and ensure that we have adequate tax provisions in place where necessary.

### ***Fraud, bribery and corruption***

In the 2017 trustees' Report, we highlighted the work that had been done to reassess Save the Children International's fraud strategy and resourcing, including a review of the investigation methodology and the introduction of Datix, our incident reporting and case management system.

### ***Incidents and actions in 2018***

In 2018, there was an increase in the number of fraud suspicions, with 607 incidents reported (408 in 2017), the highest number since Save the Children International was established. 103 of these reports did not merit investigation due to either being a non-fraud issue or lacking sufficient information to proceed. In total, 504 cases from 2018 were investigated. Of these, 193 are still under investigation, 41 await final approval before closure and 270 cases are closed. Out of the total incidents, 32 were classified as serious (25 in 2017). A serious incident is an incident with estimated financial loss of more than US\$20k, involving senior management level or involving Armed Opposition Groups. It is difficult to have an exact interpretation of the development of these figures. Given that we work in the countries where fraud is most prevalent, we believe that the increase in reported incidents is due to improved awareness, reporting systems and that the investigations are more accessible and professional.

A key area of focus in 2018 was resourcing Save the Children International's global fraud team, as well as building investigative capacity at country office and regional office level. In April, we appointed a new Head of Fraud and recruited other key roles, including Regional Fraud leads for East and Southern Africa, Latin America and the Caribbean, and West and Central Africa. Additionally, we



recruited a Fraud Data Analyst to drive another key area of focus – proactive fraud management supported by data analytics. By the end of 2018, we had achieved target resourcing levels and were well positioned to address the increasing caseload and drive proactive fraud management strategies (fraud risk assessments, detection of red flags in big data using data analytics and the sharing of lessons learnt from fraud cases and investigations).

#### Key achievements in 2018

- The roll out of a new Fraud, Bribery & Corruption Policy and Procedure in English, French, Arabic and Spanish
- The development and roll out of an online Fraud, Bribery & Corruption awareness e-learning module
- Investigation capacity building – with over 500 Save the Children International staff members trained in our fraud investigation methodology. This cohort of trained staff are used / available for level 3 cases (low value, low risk investigations that can be conducted at CO level)

In 2019, our focus remains on driving the proactive fraud management strategies while maintaining strong management of investigations into reports of fraud.

### **Global Assurance**

The purpose of Global Assurance is to provide Save the Children International's Chief Executive Officer and the trustees, with an independent and objective assessment of the risk, control and governance arrangements in place at Save the Children. The Global Assurance team undertake audits of country offices, humanitarian responses, regional offices and specific business units, based on an assessment of risk.

Global Assurance is overseen by the Audit and Risk Committee, which assesses the function's performance, guarantees its independence, approves its strategies and work plan, and receives reports on key risk and control issues arising from its work. The committee seeks regular confirmation and evidence from management that actions it has agreed with the Global Assurance function have been implemented.

In 2018, Global Assurance conducted fifteen audits, including audits of country offices identified as higher-risk, business units, and Save the Children's global framework for delivering humanitarian responses. Whilst noting an improvement in the organisation's overall control environment, the priority risks and issues arising from these audits include: the need to further strengthen organisational management of risk, focusing specifically on safeguarding and regulatory compliance; greater consistency and coherence in country office operating models; and a sharper focus on the quality of audit action implementation for sustained improvements to our internal control environment.

In 2019, the team will continue its focus on audits across the organisation's operations. These include country office operations, as well as a cross-organisational focus on leadership and culture, and on global mechanisms to enhance the quality and impact of our programmes for children.

### **Brexit related risks**

As negotiations for the UK to exit the European Union have continued, we have worked to identify and assess the financial and non-financial risks that Brexit poses to Save the Children International and the wider Save the Children Association.

The primary risk is in relation to eligibility for, and compliance with, funding from the European Commission's Directorate-General for International Cooperation and Development and Directorate-General for Neighbourhood and Enlargement Negotiations. To mitigate this risk, we incorporated a Save the Children entity in Brussels on 29 March 2019 in order to continue meeting eligibility criteria

and complying with contractual requirements. The Save the Children Association has 11 grants currently at risk, representing a total value of \$35 million<sup>6</sup>. In addition, we are taking mitigating actions to reduce other risks around our workforce, procurement and foreign exchange in order to minimise disruption to our operations.

We are in discussion with Save the Children members, in particular Save the Children UK, as well as other non-governmental organisations and our plans are being updated as more information becomes available, with regular review by management and the trustees.

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<sup>6</sup> Total value in EUR is 30.9 million. The 35 million USD figure is based on the 2018 year-end foreign exchange rate of 1USD:0.873EUR

## Major areas of risk for Save the Children International

<b>Partner organisations</b>	
<b>Link to strategic and operational achievement</b>	A significant part of our work is implemented through many local, and some international, partner organisations, including communities and local government entities. We rely on them to deliver the work and, in doing so, to apply our standards so that we can meet our obligations to the children and communities we serve and to our donors.
<b>What are we doing about it?</b>	We carry out appropriate due diligence on our partners, including capability and capacity assessments upfront and for each award, and put proper agreements in place with them, confirming our requirements and their obligations and where required the need for capacity building. They report regularly to us and we carry out checks where needed, supporting them as necessary by building their capacity, and developing our procedures and training our staff to do this well. While we acknowledge the challenge of making their controls as effective as our own, we are accountable to our donors for their behaviour and therefore strive to implement sufficient risk mitigation activities, even when more difficult to implement and not always funded through awards.
<b>Proscribed groups, sanctioned entities and aid diversion</b>	
<b>Link to strategic and operational achievement</b>	We aim to reach the most deprived and marginalised children, which means we sometimes need to work in areas where terrorist, sanctioned entities or other armed groups and criminal organisations are operating. These people could seize assets or try to extort money, disrupting our work, leading to breach of the law and/or our donor agreements, cause us financial penalties and damaging our reputation.
<b>What are we doing about it?</b>	<p>We have policies and procedures and train our staff to handle these risks. We monitor the level of risk and avoid the most difficult areas where possible when acceptance is lacking, or work through partners. Incidents are reported internally and externally and action taken in response with the involvement of senior management.</p> <p>We vet suppliers, staff, volunteers and partners of all our countries and regions centrally against global and local databases and have also in place enhanced due diligence processes in the highest risk countries.</p> <p>Our Treasury and Legal teams work with our managers on the ground, with banks and other financial service providers, and with regulators to find solutions so we can continue to work within the law. Where we are unable to find solutions, we have to suspend our work.</p>
<b>Safeguarding</b>	
<b>Link to strategic and operational achievement</b>	Our mission has always been to ensure every child is protected from any form of violence and harm. However, we know that the reality of the types of programmes we run and in the context where we work, that this is not always the case. To ensure we are doing everything we can to protect children and the communities we work with, we have been deliberately expanding our safeguarding focus on staff, volunteers and adult beneficiaries. There is significant risk if we fail to safeguard all these groups, some being extremely vulnerable as we often operate in difficult humanitarian response contexts.
<b>What are we doing about it?</b>	We train staff on all forms of safeguarding, bullying and sexual harassment and have policies and procedures in place. We monitor this risk regularly, report, and investigate all incidents and take action where necessary. We are working on ensuring robust data gathering on our child safeguarding training to check

	compliance with our policy that all staff must complete training within three months of joining, taking the necessary action where this target is not met. A team of child safeguarding specialists support our programme staff investigating difficult cases and spreading best practice. We are putting in place global whistleblowing hotlines and other local complaint mechanisms to capture all incidents allowing us to investigate all allegations in accordance with our zero tolerance policy. We are identifying local focal points to help embed our zero tolerance approach.
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### **Fraud, bribery or corruption**

<b>Link to strategic and operational achievement</b>	Fraud or corruption can lead to loss of funds, breaching the law and/or our donor agreements, undermining morale in the workplace, disrupting our work and damaging our reputation.
<b>What are we doing about it?</b>	We train staff on fraud and corruption and have policies and procedures in place. We monitor this risk regularly, report and investigate incidents using a global incident reporting system and take action where necessary. A team of counter-fraud specialists support our programme staff investigating difficult cases and spreading best practice. We have started analysing the incidents using root cause analysis and are starting to incorporate lessons learned in our fraud awareness training.

### **Safety and security**

<b>Link to strategic and operational achievement</b>	Safety and security failures can lead to death or injury, damage staff morale, lead to loss of assets, legal liability and reputational damage, and disrupt our work.
<b>What are we doing about it?</b>	We train staff on safety and security and have policies and procedures in place. We monitor this risk regularly, report and investigate incidents, and take action where necessary. A team of safety and security specialists support our programme staff investigating difficult cases and spreading best practice.

### **Emergency Humanitarian Response**

<b>Link to strategic and operational achievement</b>	<p>Risk of inappropriately managed Emergency Humanitarian Response could lead to major failures in delivery, loss of donor confidence and/or damage to the Save the Children brand and potentially loss of life.</p> <p>We see an increasing number of humanitarian crises, often in environments with increased risks, such as the recent Ebola outbreak in the Democratic Republic of Congo, which combines health and safety risk with potentially operating in areas without assured acceptance by armed groups.</p>
<b>What are we doing about it?</b>	While we have functioning processes in place for regular reporting and evaluating of emergency responses at three and six-month points we are doing further work on having our country offices and members collaborate closely in developing proper risk assessments before deployment starts. This will be greatly assisted by shared minimum requirements for health and safety in international operations, and prepositioning planning in relation to common types of programming. Our (externally verified) commitment to the Core Humanitarian Standards, since 2017 as well as the implementation of the new global surge platform in January 2019 all act as risk mitigants. The recent Global Assurance report on the Rohingya crisis also identified a number of areas for improvement, particularly for Category 1 responses, which are being actioned.

### **Information security/cybersecurity and Data Protection**

<b>Link to strategic and operational achievement</b>	Major breaches of sensitive personal information can lead to material harm to people we serve, breach of law, fines, reduced donor confidence, and/or significant disruption to operations, reporting and billing. Likewise loss of or damage to our systems, often as part of cybercrime could seriously disrupt our operations, damage our reputation and put us in breach of the law.
<b>What are we doing about it?</b>	We are training staff on core information security policies and practices and are upgrading our IT procedures to identify and manage risks and report incidents. We have recruited specialist staff to support these initiatives and embed best practice. We have also rolled out data protection awareness trainings, put in place proper policies and procedures, including retention policies and data breach reporting, are mapping our data and arranging for data sharing arrangements with our members and are working to embed data protection in our culture and way of working with our staff and beneficiaries.

### Construction Risk

<b>Link to strategic and operational achievement</b>	<p>Poor quality construction is a key risk to our programming success and beneficiary safety. It can result in serious incidents (e.g. loss of life) with international implications (donor reactions, media coverage, Charity Commission supervisor visits, etc.), child safeguarding concerns of injury, abuse, exploitation, deaths</p> <p>Poor Planning may lead to over budget, missed deadlines, reputational risk</p> <p>No technical input or supervision may lead to unsafe buildings, high cost for retrofitting, building not durable, no disaster risk readiness, accidents on site, legal liability</p> <p>Weak Procurement may lead to fraud, collusion, poor contractors, weak contract management, delays</p>
<b>What are we doing about it?</b>	Following a pilot in East Africa, focussed on implementing our global standard for construction projects, a new construction strategy is being rolled out, supported by our regional construction advisors as well as humanitarian response (SHELTER) specialists.

### Clinical – Medical Risk

<b>Link to strategic and operational achievement</b>	<p>Unsafe clinical services may result in serious incidents (e.g. loss of life) with international implications (donor reactions, media coverage, license to distribute drugs withdrawn etc.).</p> <p>The new requirements in the UK to be licensed by the Medicines &amp; Health Care Products Regulatory Agency for the sourcing and transport of pharmaceuticals have created additional risks since we can be fined and/or lose this license to transport vaccines and other medicines to our countries of operation, including for emergency responses.</p>
<b>What are we doing about it?</b>	After an initial official inspection connected to the granting of the license identified a number of actions, we are in the process of implementing these recommendations. In addition, the planned reporting and management of clinical incidents through Datix will immediately raise the attention to issues raised and prompt a management response.

### Political Risk - Advocacy

<b>Link to strategic and operational achievement</b>	<p>There is a risk of not being perceived to be impartial when one member takes a political stance. But there is equally a risk of not speaking out when we should. Both situations may damage our reputation and risk our acceptance and ability to work in certain operational environments.</p> <p>The Save the Children Association is a network of member organisation, some of which implement internationally and through Save the Children International.</p>
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	Because we collectively operate in so many different social and political contexts, decisions made in one part of the Save the Children Association can affect the view of our collective impartiality. This may have profound impact on other parts of the Save the Children Association in terms of both beneficiary acceptance and donor willingness to work with us.
<b>What are we doing about it?</b>	Save the Children International works closely with members and has several shared bodies and processes intended to reduce the risk of negative impact spreading from unilateral decision-making. While these processes have proven efficient in several cases, we also recognise the need to continue strengthening the collective sense of responsibility between and among the entities of the Save the Children Association and have developed guidelines for advocacy which involve requiring prior input by country offices and strict adherence to child-focused messages.
<b>Cost and Financial Sustainability Risk</b>	
<b>Link to strategic and operational achievement</b>	The cost of operating our network has been increasing due to increasing donor requirements as well expenses related to our operations in complex, high risk environments in a sector with shrinking donor appetite for foreign assistance including donor fatigue and negative social media coverage of the sector due to some well publicised incidents
<b>What are we doing about it?</b>	We have a cost reduction and reinvestment strategy which currently under development. The Save the Children Chief Financial Officer leads this initiative for Save the Children Association as a whole.
<b>Project Risk</b>	
<b>Link to strategic and operational achievement</b>	Running a series of strategically important change management projects concurrently across the organisation creates a risk of failure of one of those projects, leading to endangering our programming quality and impact and to financial losses. It can also result in serious disruptions with international implications (donor reactions, media coverage, Charity Commission supervisor visits, etc.)
<b>What are we doing about it?</b>	Our change management approach has proper governance and oversight by key stakeholders across the organisation with regular updates and independent global assurance oversight. A dedicated in depth Global Assurance report is expected soon with recommendations for further improvement.
<b>Global Corporate Strategic Partnerships, Donors and Ambassadors</b>	
<b>Link to strategic and operational achievement</b>	We have among our large corporate strategic sponsors some global companies in higher risk sectors such as pharmaceuticals and other consumer products. These partners may experience negative media news due to certain corporate actions or product liability related litigation, which in turn may cause reputational risk to us because of our public association with them. We also partner with global ambassadors and have a wide variety of donors, both groups whose association with us may cause us reputation risk.
<b>What are we doing about it?</b>	<p>To mitigate these risks, Save the Children International works closely with members through several shared bodies and processes intended to reduce the risk of negative impact spreading from unilateral decision-making. While these processes have proven efficient in several cases, we also recognise the need to continue strengthening the collective sense of responsibility between and among the entities of the Save the Children Association.</p> <p>We have created a global donation acceptance assessment process in which representatives across the Save the Children Association carry out extensive due</p>

	<p>diligence on proposed global corporate partners and a rigorous review of each relationship annually or more frequently if significant new risk is identified. We put proper agreements in place with these global companies, confirming our requirements and their obligations and impose additional reporting requirements if deemed appropriate to reduce any reputation risk by being associated with them. We also have due diligence requirements for donors and ambassadors and endeavour to ensure that there is consistency in those due diligence approaches across members.</p>
<b>Mishandling Incidents occurring at member organisations – Crisis Management</b>	
<b>Link to strategic and operational achievement</b>	<p>Incidents at members may damage our reputation and our Save the Children brand. As a networked alliance of entities sharing the same vision, strategy, and brand, Save the Children International is exposed to risks generated by events and incidents in other parts of the Association.</p>
<b>What are we doing about it?</b>	<p>We all increasingly recognise that some risks would impact the entire Save the Children and its brand if not managed properly. While the wider Save the Children Association Board of trustees explicitly recognised that our interdependent model brings shared risk, it also set out an expectation that the Save the Children Association Board of trustees would ensure appropriate oversight of risk and that we consult within the organisation on risks which may impact on other members or the whole. As to mitigation, having a proper inclusive crisis management approach, with preparedness in advance, combined with a well-coordinated global communication strategy (internal and external) and clear ownership of the risks and escalation mechanisms may help limit how incidents at members or Save the Children International damage our reputation and our brand.</p>

## **Our people**

Our ability to deliver on our ambition for children depends on our dedicated, hard-working and talented people; from those that deliver programmes on the ground or campaign on key issues to those who work behind the scenes to keep our data safe, our stock at the right levels and our operations compliant. Save the Children International aims to be a place where world-class people of diverse backgrounds work to achieve our ambitions for children. We are committed to the wellbeing and development of our 17,000 staff globally.

### ***Diversity and equality***

Save the Children International believes that it is critical to address discrimination directly and promote equality in order to ensure that no harm comes to children, and to advance our vision for a world where every child attains their equal right to survival, protection, development, and participation. We seek to advance equality in all aspects of our work and across our organisation, starting with our staff.

Save the Children International has policies and procedures to ensure that no job applicant or employee receives less favourable treatment on the grounds of sex, marital status, ethnic origin, disability, age, class, colour, HIV and AIDS status, personal circumstances, sexual orientation, or any other unjustifiable grounds.

All employees and volunteers, whether part time, full time or temporary, are treated fairly and equally. Selection for employment, promotion, training or any other benefit is based on aptitude and ability. All employees are helped and encouraged to develop their full potential, and the talents and resources of the workforce are fully utilised to maximise the efficiency of the organisation.

### ***Reporting on gender pay***

Save the Children International reports on gender pay in accordance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. Our figures represent all UK employees of Save the Children International and any international employees who report to and are paid through the London office.

It should be noted that Save the Children International does not pay bonuses. In 2018, Save the Children International identified a gender pay gap of 16.8%, down from 18.8% in 2017. This rate is calculated by adding the hourly rates for all men, divided by the number of men, and performing the same calculation for women and then comparing by how much the figure for women is less than the figure for men.

While Save the Children International's 16.8% gender pay gap is significantly lower than the 25% gender pay gap for the Human Health and Social Work Sector (the sector that the UK Government's Gender Pay Gap Service compares Save the Children International to), we believe that this is not acceptable. We want to ensure we are doing everything possible to minimise this gap and ensure diversity, inclusion and equality for our people.

Our pay ranges are transparent and published internally. Decisions on pay take into account many factors including gender and equity. Job Evaluation Panels reflect a gender mix, and the gender of any post holder is not shared during the evaluation. Our recruitment policy and practices have been refreshed so that wherever possible, we have gender balance when shortlisting and on interview panels.

### ***In 2018, we continued our focus on gender equality by:***

- Conducting an equal pay audit, which showed that the range of new global reward policies implemented in 2017 is ensuring equality of practice in our reward decisions. The equal pay audit concluded that our pay practice is not driving our gender pay gap
- Ensuring that 50% of participants on our Leadership Development Programme are women
- Ensuring that 50% of our leadership talent pipeline are women
- Maintaining focus on gender balance at board and leadership levels



- Review of current leadership and management training to assess for gender bias and ensure that gender bias awareness is part of the training
- Ensuring our jobs adverts have gender-neutral language, state the job grade and are, where possible, advertised with flexible working options
- Recruiting through a variety of channels and considering non-traditional sources to encourage people from all groups to apply
- Starting a review of our flexible working policy to make clear that we encourage and support this
- Starting a review of our United Kingdom family benefits

***For 2019, we have committed to:***

- Developing our Diversity and Inclusion Policy.
- Continuing efforts to attract more women into senior positions.
- Continuing our focus on gender balance at the trustee and leadership levels.
- Continuing efforts to attract more men and women into roles where there is an underrepresentation of either gender.
- Completing a recruitment gender audit and implementing all necessary actions to address any issues identified.
- Completing a diversity pay audit looking at all groups.

***Executive pay governance***

Decisions relating to senior leadership pay are taken to the trustees, guided by its People and Organisation Committee. This committee consists of a sub-group of trustees. The Chief Executive Officer, the Chief People Officer and the Global Head of Reward administer those decisions. The People and Organisation committee approves the general reward policy and annual pay review on behalf of the trustees.

***Staff Code of Conduct***

Save the Children International and other organisations, in the public, private and third sector, have recently come under scrutiny for sexual harassment and bullying in the workplace. We have explicitly and repeatedly stated that these behaviours will not be accepted within the organisation nor do they reflect the culture we want to have as a global organisation committed to its people and the children and communities we work with.

Our leadership team has worked tirelessly throughout 2018 to raise awareness about the standards we expect from our staff – at all levels – and to make it clear to our teams that any breach of these behaviours will not be tolerated. Furthermore, it is very important to us that our staff know how to report any allegations of abuse or harassment and feel they will be respected and safe in doing so. In addition to this work, the trustees initiated a review to look at our current culture, as well as the current processes and standards around sexual harassment and behaviour in the workplace. The intention of the review is to identify practical steps that we can take to ensure that we create a zero-tolerance culture of sexual harassment and bullying, where all allegations are investigated fairly and effectively anywhere in the organisation.

Our increased efforts to raise awareness about our expectations and to build a culture of safe reporting resulted in an increased number of sexual harassment and bullying reports in 2018. We received 100 allegations of sexual harassment and bullying over the last year resulting in the dismissal of 22 staff members.

In 2018, we rolled out a stronger global Anti- Sexual Harassment and Bullying policy and embedded this policy into our standard Code of Conduct and induction materials. However, we know that policies and procedures are not enough. Save the Children International has also developed an action plan to combat sexual harassment and bullying within our organisation. This plan includes practical actions and standards to enable an environment of respect and dignity in the following areas:

- building awareness by communicating our standards;

- developing clear reporting guidelines and channels; and
- improving our response mechanism to act in the best interest of colleagues.

### ***Making talent an advantage***

Save the Children International is committed to supporting staff to develop their individual careers and to build, manage and lead high performing teams. Our focus on country office leadership continued in 2018 and is based on a simple hypothesis: country offices will perform better with a strong, diverse and stable cadre of Country Directors. Retention of Country Directors became the highest priority.

In 2016, the annual turnover of Country Directors was 36% and the average time in position was 1.8 years; this means we lost over a third of our Country Directors and Country Directors were in their role for a year and a half before we moved them to other role. We were intentional about three actions: invest in Country Director on-boarding, Country Director development and Country Director career experience/pathing through focussed talent review and succession planning.

In 2017 and 2018, we have conducted four on-boarding sessions in multiple countries, including the UK and the US. We launched two leadership programmes: Leading for High Performance (LHP) and the Country Director Individual Development Plan.

We have conducted talent reviews in 2017 and 2018. We have a common framework for the Save the Children Association and Save the Children International Leadership model based on agile leadership principles, and are in the process of assessing our Country Directors using Hogan's assessment (a psychometric tool). Seven members will adopt Save the Children International's talent review and development process in 2019.

The impact on retention and stability has been positive. Time in position, a measure of stability increased from 1.8 years to 2.5 years over 2017/2018. The number of female Country Directors increased to 53% in 2018 from 45% in 2016. Internal movement rate amongst Country Directors remained high at 60% in 2018.

An additional measure of diversity that Save the Children International uses is the percentage of our workforce that do not come from countries typically identified as having 'developed economies' – defined as those countries that are not are not part of the Organisation for Economic Co-operation and Development (OECD). We believe that having 'non-OECD' people running our country offices and programmes is the right way to drive sustainable change and have made significant progress in non-OECD representation and development: 32% of our senior management team are now non-OECD while 26% of our international contracts are now non-OECD. In addition, we have reduced the number of international contracts by 15%. This means we are creating more developmental opportunities for non-OECD leaders in our talent pipeline, in line with our ambitions.

In 2018, we identified 30 mission critical roles in International Programmes, out of which 29 are now in role. The retention rate for these positions in 2018 is 100%. In Q1 2019, we will deliver succession plans for all mission critical roles.

In 2019, we will continue to focus on stability of talent, improvement of our 'Develop to Perform' approach, and deployment of our new HR Information system. Our goal is to retain 90% of our Country Directors and have an internal movement rate of 65%.

### ***Being an effective and efficient organisation***

Our focus in 2018 was to deliver our new global HR Information System – Oracle HR – which has been launched in 20 Save the Children International offices (covering around 5,000 colleagues). We will launch in the remaining offices throughout 2019, reaching all of our 17,000 staff.

We identified opportunities to streamline activities and improve the structure in Save the Children International's centre office, which will result in savings in 2019. We are in the midst of implementing these changes. In addition, we reviewed our organisational structures in Kenya, Ethiopia and London, reducing the number of management layers. Reducing layers minimises the distance between leadership and the field, enabling faster and more effective decision-making and delivery. It also helps avoid duplication of effort and, therefore, reduces costs. We expect more progress in 2019, including in relation to our Technical Expertise teams.

### ***Building a culture of pride and performance***

The deployment of our performance management approach, Develop to Perform, was launched in 2018. Feedback from regional and country offices has been positive; the focus on development and opportunities has been well received. We will see further evidence of this in internal promotion rates in 2019.

Through the embedding of our new anti-harassment and bullying training, we have achieved significant improvement in awareness, engagement and reporting of sexual harassment and bullying incidents. We received 100 concerns for the full year of 2018, compared with 23 in 2017. Of these reports, 82 cases are now closed. Of these: 22 resulted in dismissal – 5 staff members who were under investigation resigned during the process and a further 17 resulted in disciplinary warnings. 28 cases were not proven and no disciplinary actions were taken, and in 10 cases no direct disciplinary action applied. For example, a case involved a community member and, therefore, no disciplinary action could be taken. However, we ensured the safety of our staff member and provided support. 18 cases remained open and are under active investigation. For the staff members who resigned, we can confirm that no reference will be provided.

We are deploying an anti-harassment and bullying action plan, which aims to ensure that all country and regional offices are robust across all prevention and response measures, and further demonstrates our policy of zero tolerance.

In late 2019, we expect to see a gradual decline in the rate of increase of harassment and bullying of concerns because of the effort of embedding training and core processes. We will deliver actions on engagement with particular focus on wellness, development and communication.

## **Financial performance**

In order to achieve our mission, Save the Children International conducts high-quality, proactive and responsive financial management aimed at maximising the impact for our global beneficiaries. Financial performance provides a means by which to judge the results of our strategy and activities in objective monetary terms.

All figures are quoted in US dollars.

### **Incoming Resources**

In 2018, Save the Children International's income declined by 3% from \$1,277 million to \$1,244 million. As in previous years, 97% of our income is received directly from Save the Children member organisations and the remaining 3% is largely from direct grants and donations in our prospect members<sup>7</sup> and country offices. A significant factor in the overall reduction in income is due to the decline in Department for International Development funding raised through Save the Children UK. Additional information and analysis can be found in Note 2 to the accounts.

### **Expenditure**

Total expenditure in 2018 was \$1,249 million, representing a 3% (\$33 million) reduction compared with the \$1,282 million expenditure in 2017. A detailed analysis of expenditure is given in Note 3 to the accounts.

There were notable shifts in spending across our regions, primarily due to significant scaling up of major humanitarian emergency responses in certain regions, while scaling them down in others. Overall humanitarian spend makes up 45% of total expenditure in 2018 against 55% on development. This is a small shift from 2017 where humanitarian made up 47% of total expenditure. From a thematic perspective, Health and Nutrition expenditure makes up 46% of total expenditure in 2018 (41% in 2017) and Education makes up 22% of total expenditure which is in line with 2017.

Spending in the Asia region increased from \$309 million in 2017 to \$378 million in 2018. This was largely due to the scale up of the Rohingya response and led to Bangladesh becoming the largest country office in terms of expenditure in 2018, increasing spend from \$57 million in 2017 to \$158 million this year. This increase was offset by a \$23 million decline in spend in Nepal in 2018 as the 2015 earthquake response programmes were phased out.

In the Middle East and Eastern Europe region, total spend reduced by \$18 million to \$198 million in 2018. We made the Yemen crisis a priority and increased our spend to \$59 million in 2018, up from \$42 million in 2017. However, the closure of the European Refugee Response office in Greece and reduced programming relating to the crisis in Syria resulted in the overall reduction in spend in the region.

The total spend in West and Central Africa increased by \$29 million to \$190 million in 2018. This was primarily due to an increase in spending in Nigeria from \$50 million in 2017 to \$64 million in 2018 as a result of an upscale in one of our cash transfer programmes.

There was a significant reduction in East and Southern Africa programmes as humanitarian responses in Somalia, Malawi and Ethiopia were scaled down. This resulted in a combined 2018 spend of \$362 million, down from \$475 million in 2017.

### **Balance sheet**

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<sup>7</sup> Prospect members are country offices that have been selected to fundraise locally and ultimately become members of Save the Children.

Save the Children International's balance sheet shows a relatively stable position. Net assets decreased to \$72 million, down \$5 million from 2017. Cash and short-term deposits<sup>8</sup> have increased to \$213 million, up from \$153 million in 2017. The year-on-year increase is due to improved recovery of member receivables<sup>9</sup>, allowing \$35 million to be put on short term deposit over year end. We believe this to be an appropriate level of cash to be held by Save the Children International considering the high expenditure, which takes place at the end of the each year.

### **Reserves**

Save the Children International holds reserves for the following purposes:

- To cover our operating expenses in the event of a downturn in income and/or unforeseen increases in costs.
- To meet the costs of unforeseen liabilities for employment or other legal claims not covered by insurance.
- To protect against foreign exchange losses.
- To cover the associated costs in the event of closure or wind-down of our core operations. (Costs associated with the closure and/or wind-down of International Programming work are covered separately by member indemnities up to a maximum of \$20 million).

Save the Children International's reserves comprise the following funds:

### **General Funds**

General Funds comprises investment and other income arising through Save the Children International's activities, and foreign exchange gains and losses. At 31 December 2018, the balance on this reserve is \$3.2m million, which is an increase of \$2.8 million compared with 2017. This increase is largely due to significant foreign exchange gains and more efficient use of cash resources through the Treasury function.

### **International Programming Reserve**

The trustees have set the target level for the International Programming Reserve at \$15 million. The balance at the end of 2017 was \$13.3 million (including unrecognised contingent assets of \$6.2 million) and in order to replenish the reserve to the target level, an additional \$1.7 million was received from members during 2018. However, \$2.8 million of the reserve was used to finance the Strategic Investment Fund in 2018, leading to final reserve balance of \$12.2 million (including unrecognised contingent assets of \$6.2 million) as of 31 December 2018 – a net reduction of \$1.1 million compared with 2017. The Strategic Investment Fund was created to ensure the organisation could deliver on its strategic plan, with a main emphasis on investing in the portfolio of global transformation projects aimed at improving our efficiency and effectiveness. The use of reserve funds to cover system developments was agreed with Save the Children members and the reserve will be replenished over the forthcoming years in accordance with that agreement.

Of the \$12.2 million total available reserves of 31 December 2018, \$6 million is held by Save the Children International (down from \$7.1 million in 2017) and a further \$6.2 million is in the form of letters of credit from Save the Children members (shown as contingent assets in note 18 to the accounts). These letters of credit allow Save the Children International unconditional and irrevocable access to funds on demand in the event of reserves being required.

### **Closure Reserve**

The trustees have designated a proportion of our unrestricted funds to be used for a Closure Reserve. This represents funds to cover the salary and personnel costs of closure / wind-down of the non-

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<sup>8</sup> Short term deposit refers to monies we have placed in the care of the bank for a certain period (less than 1 year) and which are returned to us on an agreed date. This mechanism allows Save the Children International to access better interest rates over the period of the investment.

<sup>9</sup> Member receivables are amounts owed to SCI by other Save the Children members

international programming activities. The reserve currently stands at \$1.3 million. The trustees have re-evaluated these funds and confirmed that this is an appropriate target level for these purposes at the date of signing this report.

### ***Grant making policy***

Save the Children International works in partnership with many organisations. This work includes our staff being involved in joint operations; supporting and monitoring work; and funding local partners to deliver services, humanitarian aid and advocate for child rights. The grants we make to partners enable them to contribute to our breakthroughs, as well as strengthening their organisational capacity. We carefully consider the experience, reach and governance of potential partners, as well as the value they will add in reaching the most deprived and marginalised children. We advise and monitor how all grants are spent. In 2018, 19% (2017: 21%) of expenditure was through partners.

### ***Going concern***

Based on our financial performance and reserves position, together with a cash flow forecast that we have prepared through to the end of 2020, we have a reasonable expectation that we have the resources to continue operating for the foreseeable future. We are not aware of any material uncertainties that call this into doubt. The accounts have therefore been prepared on the basis that the charity is a going concern.

## **Structure, governance and management**

Save the Children International is a UK company limited by guarantee (not having share capital) and a registered charity in England and Wales, governed by its Articles of Association as last amended on 12 March 2012. It is registered with Companies House and the Charity Commission and must comply with the Companies Act 2006 and Charities Act 2011. Save the Children International's sole member is Save the Children Association, a Swiss Association formed pursuant to articles 60–79 of the Swiss Civil Code. Save the Children International had ten wholly owned subsidiaries at 31 December 2018, details of which are given in note 16 of the financial statements.

### **Board of trustees**

Save the Children International's Board of trustees mirrors the board of Save the Children Association. The Save the Children International board consists of:

- nine individuals who are the nominees of each member organisation that contributed at least 8% of the combined total income of all members of Save the Children Association
- three individuals who are elected by member organisations that contributed less than 8% of the combined total income of all members of Save the Children Association
- one independent trustee who is elected by the member organisations, which elect the three individual trustees to the board
- one trustee (who may be independent or from a member board) who is appointed by the nominated trustees.

Further details of the board members are listed below.

The Save the Children International board manages the business of the charity and exercises all the powers of the charity. The board seeks to ensure that all activities are within relevant laws and agreed charitable objects. Its work includes oversight of, and agreeing the financial plan for, international programmes.

### **Auditor**

KPMG LLP will be deemed appointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Act.

The Audit and Risk Committee oversees the charity's monitoring of external auditor objectivity and independence in relation to non-audit services. The auditor is excluded from undertaking a range of work on behalf of the charity to ensure that the nature of non-audit services performed or fee income relative to the audit fees does not compromise, or is not seen to compromise, the auditor's independence, objectivity or integrity.

### **Trustees' responsibilities**

The trustees are responsible for preparing the trustees' report (incorporating the strategic report and the directors' report) and the financial statements, in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law they are required to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charitable company and of the group's excess of income over expenditure for that period. In preparing each of the group and charitable company financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the group and the charitable company will continue their activities.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the trustees are aware:

- there is no relevant audit information of which the charity's auditor is unaware
- the trustees have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees, in their capacity both as trustees and company directors, have reviewed and approved the trustees' report, which incorporates the directors' report and the requirements of the strategic report as set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

#### ***Induction process for trustees***

On appointment to the Board, trustees are provided with an induction pack including information on structure and governance of Save the Children International; the roles and responsibilities of trustees and guidance from the Charity Commission; and ways of working, strategic documents and key policies. Trustees receive face-to-face training on child safeguarding from the Chief People Officer, and are offered induction calls with Senior Leadership Team members, programme visits and a visit to another member office.

#### ***Committees***

At least two members of each committee must be members of the Save the Children International board of trustees. Currently, all committee members are trustees of Save the Children International.

The Audit and Risk Committee is appointed by the board of trustees and has five members, including a chair (who must not be the same person as the chair of the board). The committee meets at least four times a year to consider reports from the management team and external auditors. The committee advises the trustees on matters concerning the external auditors, the annual financial statements, internal controls, risk (including fraud) and compliance. It also oversees the global assurance function.

The Finance Committee is appointed by the board of trustees and has four members, including a chair (who must not be the same person as the chair of the board). The committee meets at least four times a year to consider reports from the management team. The committee advises the board on financial management, reporting, treasury and reserves.

The Governance Committee is appointed by the board of trustees and has three members, including a chair, who meet at least four times a year. The committee advises the trustees on Save the Children



International's governance framework, its constitution and governance systems and processes, as well as board processes and effectiveness. It also advises on member performance.

The People and Organisation Committee is appointed by the board of trustees and has three members, including a chair, who meet at least four times a year. The committee advises the trustees on the compensation of the Chief Executive Officer and senior management of Save the Children International, by reference to those in comparable employment within the INGO and other relevant sectors. It also advises on organisational design and processes, and organisational culture.

### **Organisational structure**

The trustees delegate the day-to-day running of the charity to the chief executive officer and the senior leadership team, who are responsible for particular areas of the charity and are listed below. The Chief Executive Officer reports to the chair of the board.

### **Public benefit**

The trustees ensure that the activities of the charity are consistent with its charitable objectives and aims. In agreeing our annual plans, the trustees take into account public benefit as set out in the Charity Commission's general guidance on public benefit in relation to the prevention and relief of poverty, the advancement of education and health and the relief of those in need. The trustees believe there is clear public benefit derived from the activities of the charity.

### **Venture partners and volunteer involvement**

This year we have continued to benefit from ongoing strategic partnerships with:

- Boston Consulting Group, which has donated \$5.2 million of professional services, including secondments of key staff and strategic support around sustainable delivery, technical expertise and refugee support initiatives.
- Freshfields Bruckhaus Deringer LLP for donated legal services of \$1,065,000.
- Baker & McKenzie LLP for donated legal services of \$304,000, particularly in the areas of brand protection, employment law and global contracts.
- Latham & Watkins LLP for donated legal services of \$315,000.

We would like to thank our partners, volunteers, interns and secondees for their continuing contributions, which are invaluable in realising our ambitions for children.

### **Charity governance code**

The Charity Governance Code was updated in 2017 by its steering group with the Charity Commission formally acting as observer. It is designed to promote a process of continuous improvement with respect to governance and therefore for many charities, Save the Children International included, elements of the code remain aspirational. Formal adherence to the code is not a regulatory or legal requirement but we recognise it as part of applying best practice to our governance arrangements. In our annual accounts for 2019, we anticipate reporting more formally against the principles set out in the code. With respect to our progress in developing our governance during 2018, a number of detailed discussions have been held and reports prepared which are resulting in important improvements in our governance mechanisms, most notably a clarity around the governance of Save the Children Association as compared with Save the Children International. We believe the improvements we are making go a long way to aligning with the principles set out in the code.

### **Approval of the Trustees' Report**

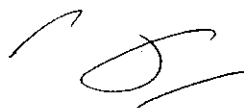
The Trustees' Report on pages 2 to 36 was approved by the Board of Trustees on 23 May 2019

Signed on behalf of the board of trustees by:

A handwritten signature in black ink, appearing to read 'P. Lopez', written in a cursive style.

Pernille Lopez  
Interim Chair of the Board of Trustees, Save the Children International

24th May 2019

A handwritten signature in black ink, appearing to read 'P. Hodgson', written in a cursive style.

Peter Hodgson  
Trustee, Save the Children International

24th May 2019

## **Administrative details**

### **Trustees during 2018 and as at date of approval of the report**

Alan Parker (*Chair* until 11 May 2018)  
Pernille Lopez (*Interim Chair* from 11 May 2018)  
Inger Ashing  
Roy Caple (from 1 January 2018)  
Anne Fahy  
Debra Fine (from 11 May 2018)  
Robert Good (from 1 January 2019)  
Thomas Heilmann (until 31 December 2018)  
Peter Hodgson  
Tamara Ingram (from 1 January 2019)  
Bradley Irwin (from 1 January 2018)  
Elizabeth Lule  
Charles MacCormack (until 11 May 2018)  
Sigrun Mogedal (from 1 January 2018 until 10 March 2019)  
Joon Oh (from 1 January 2019)  
Jonathan Powell  
Harpal Singh (until 31 December 2018)  
Claudio Tesauro (from 11 March 2019)  
Dona Young

### **Board committees**

#### **Audit and Risk Committee**

Peter Hodgson (*Chair*)  
Inger Ashing  
Anne Fahy  
Debra Fine (from 5 June 2018)  
Charles MacCormack (until 11 May 2018)  
Dona Young

#### **Finance Committee**

Anne Fahy (*Chair*)  
Thomas Heilmann (from 5 June 2018 until 31 December 2018)  
Peter Hodgson  
Brad Irwin (from 5 June 2018)  
Dona Young

#### **Governance Committee**

Inger Ashing (*Chair*)  
Roy Caple (from 5 June 2018)  
Charles MacCormack (until 11 May 2018)  
Sigrun Mogedal (from 5 June 2018 until 10 March 2019)  
Harpal Singh (until 31 December 2018)  
Pernille Lopez (until 11 May 2018)

#### **People and Organisation Committee**

Pernille Lopez (*Chair*) (until 11 May 2018)  
Elizabeth Lule (*Chair* from 5 June 2018)  
Roy Caple (from 5 June 2018)  
Brad Irwin (from 5 June 2018)  
Sigrun Mogedal (from 5 June 2018 until 10 March 2019)  
Harpal Singh (until 31 December 2018)

### **Senior leadership team**

Chief Executive Officer – Helle Thorning-Schmidt (until 6 June 2019)  
Chief Operating Officer – Janti Soeripto (until 17 May 2019)  
Chief Operating Officer – David Wright (from 3 June 2019)  
Chief Financial Officer – Jon Watts (until 9 February 2018)  
Chief Financial Officer – Yngve Seierstad Stokke (from 15 April 2018)  
General Counsel – Clare Canning (from 1 January 2018)  
Chief People Officer – Chet Kuchinad  
Global Program Impact Director – Bidjan Nashat (from 1 February 2018)

Director of Member Development and Revenue Growth – Clare Rodger  
Chief Risk Officer – Dominiek Vangaeveer  
Global Campaign, Advocacy and Communications Director – Patrick Watt (until 24 May 2019)

**Registered office**

St Vincent House  
30 Orange Street  
London WC2H 7HH

**Company Secretary**

Clare Canning

**Registered number**

3732267

**Registered charity number**

1076822

**Principal bankers**

**Barclays Bank Plc**

1 Churchill place  
Canary wharf  
London E14 5HP

**EcoBank**

EBI SA, Representative Office  
2nd Floor, 20 Old Broad Street  
London EC2N 1DP

**Standard Bank Plc**

20 Gresham Street  
London EC2V 7JE

**Standard Chartered Bank**

1 Basinghall Avenue  
London EC2V 5DD

**Auditor**

KPMG LLP  
15 Canada Square  
Canary Wharf  
London, E14 5GL

# ***Independent auditor's report to the members of Save the Children International***

## ***Opinion***

We have audited the financial statements of Save the Children International ("the charitable company") for the year ended 31 December 2018, which comprise the consolidated statement of financial activities, consolidated and charity balance sheet, consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2018 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## ***The impact of uncertainties due to Britain exiting the European Union on our audit***

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the trustees and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the charity's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the charity's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a charity and this is particularly the case in relation to Brexit.

## ***Going concern***

The trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the charitable company or to cease their operations, and as they have concluded that the group and charitable company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the

financial statements. In our evaluation of the trustees' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and charitable company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the charitable company will continue in operation.

### ***Other information***

The trustees are responsible for the other information, which comprises the trustees' and strategic report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the trustees' report and the strategic report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### ***Matters on which we are required to report by exception***

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

- the charitable company has not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company 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

We have nothing to report in these respects.

### ***Trustees' responsibilities***

As explained more fully in their statement set out above, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

### ***Auditor's responsibilities***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

***The purpose of our audit work and to whom we owe our responsibilities***

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



**Lynton Richmond (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London E14 5GL

30 May 2019

## Financial statements

Consolidated statement of financial activities for the year ended 31 December 2018  
(including an Income and expenditure account)

	Notes	2018			2017		
		Unrestricted USD 000s	Restricted USD 000s	Total USD 000s	Unrestricted USD 000s	Restricted USD 000s	Total USD 000s
Income from donations							
Grants and other donations		12,583	1,089,539	1,102,122	9,814	1,181,804	1,191,618
Gifts in kind	2 (c)	1,364	137,350	138,714	28	82,815	82,843
Total income from donations	2 (a)	13,947	1,226,889	1,240,836	9,842	1,264,619	1,274,461
Income from investments	2 (d)	1,668	145	1,813	99	1,131	1,230
Other income	2 (e)	416	685	1,101	140	670	810
<b>Total incoming resources</b>		<b>16,031</b>	<b>1,227,719</b>	<b>1,243,750</b>	<b>10,081</b>	<b>1,266,420</b>	<b>1,276,501</b>
Expenditure on raising funds		-	5,207	5,207	-	5,843	5,843
Expenditure on charitable activities							
International programs		4,917	1,215,478	1,220,395	7,492	1,246,070	1,253,562
Campaigning and advocacy		4,411	10,751	15,162	4,304	10,215	14,519
Growth and development of Save the Children		1,428	6,488	7,916	1,143	7,370	8,513
Total expenditure on charitable activities	3 (a)	10,756	1,232,717	1,243,473	12,939	1,263,655	1,276,594
<b>Total outgoing resources</b>	3 (a)	<b>10,756</b>	<b>1,237,924</b>	<b>1,248,680</b>	<b>12,939</b>	<b>1,269,498</b>	<b>1,282,437</b>
<b>Net incoming/(outgoing) resources for the year</b>		<b>5,275</b>	<b>(10,205)</b>	<b>(4,930)</b>	<b>(2,858)</b>	<b>(3,078)</b>	<b>(5,936)</b>
Transfers between funds	15	1,010	(1,010)	-	2,119	(2,119)	-
Total funds brought forward	15	15,702	61,602	77,304	16,441	66,799	83,240
<b>Total funds carried forward</b>	15	<b>21,987</b>	<b>50,387</b>	<b>72,374</b>	<b>15,702</b>	<b>61,602</b>	<b>77,304</b>

All gains and losses recognised in the financial year are included above. There is no difference between the net incoming resources before other recognised gains and losses above and the historical cost equivalent. All activities are continuing. The charity uses the exemption conferred by section 408 of the Companies Act 2006 in not preparing a separate Income and expenditure account for the charity as a separate entity. The group structure is explained in note 16 and net outgoing resources for the charity alone for the year ended 31 December 2018 were USD 4,928,000 (2017: net outgoing resources of USD 4,512,000). The notes on pages 43 to 58 form part of these financial statements



Consolidated and charity balance sheet as at 31 December 2018

	Notes	2018 Group USD 000s	2018 Charity USD 000s	2017 Group USD 000s	2017 Charity USD 000s
<b>Fixed Assets</b>					
Tangible fixed assets	5	11,498	11,432	7,018	6,916
Investments	8	860	860	-	-
		<b>12,358</b>	<b>12,292</b>	<b>7,018</b>	<b>6,916</b>
<b>Current assets</b>					
Stock	6	16,275	14,908	21,119	19,114
Debtors	7	145,788	142,923	181,863	168,327
Investments	8	35,302	35,302	-	-
Cash at bank and in hand	9	178,155	167,917	152,966	145,366
		<b>375,520</b>	<b>361,050</b>	<b>355,948</b>	<b>332,807</b>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	10	(266,056)	(258,273)	(244,891)	(227,495)
<b>Net current assets</b>		<b>109,464</b>	<b>102,777</b>	<b>111,057</b>	<b>105,312</b>
Provisions	11	(49,448)	(45,481)	(40,771)	(37,798)
<b>Provisions and long term liabilities</b>		<b>(49,448)</b>	<b>(45,481)</b>	<b>(40,771)</b>	<b>(37,798)</b>
<b>Total net assets</b>		<b>72,374</b>	<b>69,588</b>	<b>77,304</b>	<b>74,430</b>
<b>Unrestricted funds</b>					
General funds		3,190	3,190	433	284
Designated funds		18,797	18,731	15,269	15,166
<b>Total unrestricted funds</b>	15	<b>21,987</b>	<b>21,921</b>	<b>15,702</b>	<b>15,450</b>
<b>Restricted funds</b>	15	<b>50,387</b>	<b>47,667</b>	<b>61,602</b>	<b>58,980</b>
<b>Total funds</b>	15	<b>72,374</b>	<b>69,588</b>	<b>77,304</b>	<b>74,430</b>

The notes on pages 43 to 58 form part of these financial statements

Approved by the board of trustees and signed on its behalf by



Pernille Lopez  
Interim Chair, Save The Children International  
24th May 2019



Peter Hodgson  
Trustee, Save The Children International  
24th May 2019

Company registration number: 3732267

Consolidated cash flow statement for the year ended 31 December 2018

	2018 USD 000s	2017 USD 000s
<b>Cash flows from operating activities</b>		
Net outgoing resources for the year	(4,930)	(5,936)
Depreciation	1,794	2,085
Interest receivable and similar income	(1,813)	(1,230)
Gains on disposal of tangible fixed assets	(728)	-
Decrease/(increase) in stocks of gifts in kind	2,617	(48)
	<b>(3,060)</b>	<b>(5,129)</b>
Decrease in debtors	36,075	29,556
Decrease in stocks of purchased goods	2,227	2,208
Increase/(decrease) in creditors	21,165	(28,730)
Increase in provisions	8,677	5,254
	<b>68,144</b>	<b>8,288</b>
<b>Net cash from operating activities</b>	<b>65,084</b>	<b>3,159</b>
<b>Cash flows from investing activities</b>		
Payments to acquire tangible fixed assets	(5,391)	(3,607)
Proceeds from the sale of fixed assets	845	3
Acquisition of other investments	(860)	-
Interest received	1,813	1,230
<b>Net cash from investing activities</b>	<b>(4,593)</b>	<b>(2,374)</b>
<b>Net cash flows for the year ended 31 December</b>	<b>60,491</b>	<b>785</b>
<b>Change in cash and cash equivalents in the financial year</b>		
Cash and cash equivalents at the beginning of the financial year	152,966	152,181
Net cash inflows for the financial year	60,491	785
<b>Cash and cash equivalents at the end of the financial year</b>	<b>213,457</b>	<b>152,966</b>
<b>represented by:</b>		
Cash at bank and in hand	178,155	152,966
Short Term deposits	35,302	-
<b>Total cash and cash equivalents</b>	<b>213,457</b>	<b>152,966</b>

Save the Children International uses the exemption conferred by section 1.12 of FRS 102 in not preparing a separate cash flow statement for the charity as a separate entity.

## Notes to the accounts for the year ended 31 December 2018

### 1 Accounting policies

#### a Basis of accounting

The financial statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the charity's governing document, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard (FRS 102) applicable in the UK and Republic of Ireland published on 16 July 2014. All income and expenditure relates to continuing operations. The financial statements comply with the requirements of the charity's Memorandum and Articles of Association. The financial statements have been prepared on a going concern basis. The financial statements have been prepared under the historical cost convention unless otherwise stated in the relevant accounting policy note. The presentation currency of these financial statements is US Dollars. All amounts in the financial statements have been rounded to the nearest \$1,000.

#### b Basis of consolidation

The group accounts incorporate those of the wholly owned subsidiaries of the charity as detailed in note 16 to the financial statements. The results of each subsidiary are consolidated on a line by line basis.

#### c Company status

The charity is a company limited by guarantee, not having share capital. Save the Children International's sole member is Save the Children Association, a Swiss Association formed pursuant to articles 60-79 of the Swiss Civil Code. The trustees of Save the Children International are named on page 35. The Charity is a Public Benefit Entity as defined in FRS 102.

#### d Income recognition

Income is recognised in the financial year in which Save the Children International is legally entitled to the income, receipt of funds is probable and the amount can be measured with sufficient reliability.

International programming grant income from Save the Children members is recognised when the charity can demonstrate entitlement to the income. In most cases this is based on programme activity performed. Typically international programming grant agreements specify the goods and services to be provided to beneficiaries. For the purposes of income recognition, the amount of resources expended on individual grants is used to measure programme activity performed. International programming grant income is credited to restricted income within the SOFA. In cases where, by agreement with the Save the Children member, funds are received in advance of programme activity, income is recognised upon receipt of the funds and credited to restricted income in the SOFA, with any unspent balances carried forward to the following year within the relevant fund.

Grant income to fund international programming operational activity not directly attributable to projects, investment activity and the financial management system is recognised when entitlement falls due following the agreed schedule in accordance with a Member Contribution Agreement. Income is credited to restricted income within the SOFA, with unspent balances being carried forward to the following year within the relevant fund.

Grant income from Save the Children Association and from members to establish Save the Children International reserves is recognised when entitlement falls due.

All other sources of income are recognised as entitlement falls due in accordance with contractual agreements.

#### e Gifts in kind

Gifts in kind donated for distribution by country programmes (such as food, clothing and medical supplies) are included at valuation. Income is recognised when gifts in kind are received. Expenditure is recognised when gifts in kind are distributed to the projects and any undistributed amounts are recognised on the balance sheet as stock. Gifts in kind are valued by Save the Children International staff with regard to market prices when distributed in cases where the donor has not provided a valuation.

Gifts in kind for pro bono services are valued either at market value or, where this is not available, an appropriate estimate of the value to the charity is made.

Tangible fixed assets donated by members for ongoing use within country offices have been recognised at an estimated market value upon receipt. Such assets have been capitalised or expensed in line with the charity's fixed asset policy.

Services donated by members are valued at cost.

In preparing these accounts no value has been attributed to the work performed by volunteers in accordance with the SORP.

#### f Stock

Undistributed balances of goods donated for distribution and goods acquired for distribution are recognised as stock. Stocks are valued at cost, estimated market value when received or donor valuations.

#### g Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. Expenditure is charged inclusive of any irrecoverable taxation.

A sizable proportion of the programme work of Save the Children International is undertaken by making grants to operational partners who perform the work on the ground and report back to Save the Children International on the work they have done.

Save the Children International recognises the expenditure on these grants when payment is due to the partner organisation in accordance with the terms of the agreement. The related income on grants which will be used to cover these payments is recognised at the same time in accordance with the charity's standard income recognition policy. Standard partner agreements are typically for a year's duration but can span several years. The agreements contain certain conditions, the fulfilment of which is under the control of the charity. Save the Children International assesses partner performance prior to agreements being signed and monitors their performance for the duration of the agreement.

Support costs which include the central and regional office functions such as general management, payroll administration, budgeting and accounting, human resources, information technology, legal compliance and trustees costs are allocated across the categories of charitable activities. The basis for the cost allocation is explained in note 3c to the accounts.

#### h Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation Tax purposes. Accordingly the charity is exempt from taxation in respect of income and capital grants received within categories covered by Chapter 3 part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The charity and its subsidiary, The Save the Children Alliance Trading Limited, have a group registration for VAT. Country offices are subject to local tax legislation.

#### i Foreign currencies

The functional currency of Save the Children International is US Dollars. The exchange rate to Sterling at 31st December 2018 was 128 (31st December 2017: 1.35).

Where Save the Children International has entered into forward contracts for the purchase of foreign currencies, expenditure in those currencies covered by the forward contract are translated into US Dollars at the forward contracted rate. Transactions denominated in other currencies are translated at the rate of exchange at the time of the transaction.

Foreign currency balances are translated at the rate of exchange prevailing at the balance sheet date. Foreign currency gains and losses are included in the SOFA against the expenditure for the financial year in which they are incurred.

#### j Financial instruments

Financial instruments including forward currency contracts and currency swap arrangements are included in the financial statements at a fair value at the balance sheet date. The value is included within current assets or current liabilities unless the financial instrument is for a period of greater than 1 year. All such financial instruments at 31 December 2018 mature within one year.

#### k Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

#### l Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Motor vehicles	5 years
Computer software	5 years
Computer hardware	3 years
Furniture, equipment and fixtures	5 years
Freehold property	25-50 years
Leasehold property	Shorter of 10 years and lease term

The charity does not capitalise assets purchased as part of International programme grant expenditure, nor individual expenditure items below USD 5,000.

Impairment reviews are conducted when events and changes in circumstances indicate that an impairment may have occurred. If any asset is found to have a carrying value materially higher than its recoverable amount, it is written down accordingly.

#### m Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the Income and expenditure account using the straight line method.

Where assets are financed by operating lease agreements, the lease rentals are charged to the Income and expenditure account over the life of the lease on a straight line basis.

#### n Pensions

The pension costs charged in the financial statements represent the contributions payable by the company to the defined contribution schemes during the financial year.

#### o Provisions

Provisions for future liabilities are recognised when the charity has a legal or constructive financial obligation, that can be reliably estimated, and for which there is an expectation that payment will be made. Provisions for dilapidations are made where the liabilities can be measured with some certainty.

#### p Fund accounting

General funds are unrestricted funds that are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is explained in the notes to the financial statements.

Restricted funds are funds that are to be used in accordance with the specific restrictions imposed by donors. The costs of administering such funds are charged against the specific fund in line with the donor agreements. The aim and use of each restricted fund is set out in note 15.

#### q Investments

Short term deposits maturing in less than one year are recorded within current assets and are considered cash equivalents within the Cash Flow Statement. Other investments are recorded at a fair market value where such a value can be reliably measured, otherwise they are recorded at cost.

Investments in subsidiaries are stated at cost.

#### r Creditors

Creditors are recognised where the group 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.

#### s Accounting estimates and key judgements

Critical accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying next financial year are as follows:

Provisions - the Group has made significant provision for potential tax liabilities and terminal grant payments. Management believe that these provisions are appropriate based on information currently available.

2 Income	2018 Grants and other donations USD 000s	2018 Gifts in Kind donated services USD 000s	2018 Gifts in kind donated goods USD 000s	2018 Total USD 000s	2017 Total USD 000s
<b>a Income from donations</b>					
<b>Amounts received directly from Save the Children member organisations</b>					
Australia	15,785	137	110	16,032	10,412
Canada	24,651	289	101	25,041	27,077
Denmark	27,085	63	-	27,148	39,854
Finland	10,113	-	-	10,113	6,663
Germany	22,105	-	-	22,105	21,923
Guatemala	-	-	1,334	1,334	-
Hong Kong	12,073	-	-	12,073	13,008
Iceland	230	-	-	230	-
India	30	-	-	30	(10)
Italy	45,506	417	1,117	47,040	48,391
Japan	7,064	-	-	7,064	5,461
Korea	12,619	-	199	12,818	12,939
Mexico	22	23	-	45	(11)
Netherlands	24,028	-	-	24,028	24,227
New Zealand	2,079	115	-	2,194	2,893
Norway	77,044	194	53	77,291	74,642
Spain	8,635	22	-	8,657	12,917
Sweden	82,535	127	243	82,905	77,316
Switzerland	11,857	4	18	11,879	17,119
United Kingdom	225,770	496	1,778	228,044	333,078
United States	443,777	3,124	120,210	567,111	500,175
<b>Total amounts received directly from members</b>	<b>1,053,008</b>	<b>5,011</b>	<b>125,163</b>	<b>1,183,182</b>	<b>1,228,074</b>
<b>Other amounts</b>					
Save the Children Association - Core fund	10,753	-	-	10,753	9,852
Save the Children Association - Strategic Investment Fund	18,477	-	-	18,477	15,627
Professional services directly provided to Save the Children International	-	7,113	144	7,257	6,683
Direct grants and donations in Save the Children International country programme:	19,332	-	666	19,998	13,788
Other gifts in kind	-	-	617	617	28
Other grants and donations	552	-	-	552	409
<b>Total other amounts</b>	<b>49,114</b>	<b>7,113</b>	<b>1,427</b>	<b>57,654</b>	<b>46,387</b>
<b>Total income from donations</b>	<b>1,102,122</b>	<b>12,124</b>	<b>126,590</b>	<b>1,240,836</b>	<b>1,274,461</b>

**b Income from major institutional donors**

Income received directly from members includes amounts originating in grants (including gifts in kind) from the following major institutional donors, including governments and multi-national agencies.

	2018 USD 000s	2017 USD 000s
United States Agency for International Development / Office of Foreign Disaster Assistance (USA)	220,307	212,178
World Food Programme	117,459	42,555
Global Fund to Fight AIDS, TB and Malaria	68,529	92,291
Department for International Development (UK)	54,871	87,990
Norwegian Agency for Development Cooperation / Norway Ministry of Foreign Affairs	48,476	48,013
International Cooperation and Development (European Commission)	31,357	29,200
Swedish International Development Cooperation Agency	30,124	29,585
European Civil Protection and Humanitarian Aid Operations (European Commission)	22,782	67,683
United Nations Children's Fund	24,283	29,439
United Nations Office for Project Services	19,842	12,888

In addition to these amounts, Save the Children members receive income from these donors for national programming and to fund other costs incurred. Total income received by Save the Children members from these donors is shown in the relevant members' financial statements. Income recorded in Save the Children International's financial statements and those of Save the Children members is subject to differences in the timing of income recognition.

	2018 USD 000s	2017 USD 000s
<b>c Gifts in kind</b>		
<b>Donated services</b>		
Professional services	7,113	6,339
Services donated by members	5,011	5,951
<b>Total donated services</b>	<b>12,124</b>	<b>12,290</b>
<b>Donated goods</b>		
Food aid	109,769	47,736
Pharmaceutical supplies	8,727	14,600
Other supplies	7,477	8,189
Non-capital assets donated by members on transition	617	28
<b>Total donated goods</b>	<b>126,590</b>	<b>70,553</b>
<b>Total gifts in kind</b>	<b>138,714</b>	<b>82,843</b>

Save the Children International received benefits in the form of volunteers during 2018. The income from gifts in kind does not include a valuation for these benefits.

	2018 USD 000s	2017 USD 000s
<b>d Income from Investments</b>		
Interest on bank deposits	295	238
Interest and gains on deposits and financial instruments	1,477	392
Interest receivable from members	34	599
Other interest	7	1
<b>Total income from Investments</b>	<b>1,813</b>	<b>1,230</b>
<b>e Other Income</b>		
Sales of assets	845	297
Rental income	89	13
Other income	167	500
<b>Total other income</b>	<b>1,101</b>	<b>810</b>

### 3 Expenditure

<b>a Analysis of total expenditure</b>	Staff costs USD 000s	Grants and payments to partners USD 000s	Gifts in kind USD 000s	Other direct costs USD 000s	Apportionment of support costs USD 000s	2018 Total USD 000s	2017 Total USD 000s
Expenditure on raising funds	2,214	5	375	2,613	-	5,207	5,843
Charitable activities							
Education	82,706	51,795	3,064	123,380	9,222	270,167	276,463
Livelihoods	39,737	34,495	7,148	69,977	5,800	157,157	179,758
Health	85,732	59,492	8,014	129,926	9,925	293,089	306,098
Child protection	48,548	30,726	369	49,258	4,538	133,439	155,371
Nutrition	51,070	22,202	102,777	99,647	11,339	287,035	215,695
HIV / AIDS	8,070	25,263	6,019	10,125	1,947	51,424	89,005
Child rights governance	8,814	9,264	13	9,028	965	28,084	31,173
Campaigning and advocacy	11,910	237	-	2,106	909	15,162	14,519
Growth and development of Save the Children	1,192	5,693	-	400	631	7,916	8,512
Support costs (c)	26,361	-	7,113	11,802	(45,276)	-	-
Total expenditure on charitable activities	364,140	239,167	134,517	505,649	-	1,243,473	1,276,594
<b>Total expenditure</b>	<b>366,354</b>	<b>239,172</b>	<b>134,892</b>	<b>508,262</b>	<b>-</b>	<b>1,248,680</b>	<b>1,282,437</b>
2017 total expenditure	348,524	265,232	72,621	596,060	-	1,282,437	

Expenditure on fundraising was incurred by the three subsidiary entities in Colombia, Philippines and Indonesia

A list of grants made to partner organisations with whom Save the Children International has worked during 2018 is available at [www.savethechildren.net](http://www.savethechildren.net)

<b>b Contextual analysis of expenditure</b>	2018 USD 000s	2018 %ge of costs	2017 USD 000s	2017 %ge of costs
Development programmes	681,497	55%	679,161	53%
Humanitarian response	567,183	45%	603,276	47%
	<b>1,248,680</b>	<b>100%</b>	<b>1,282,437</b>	<b>100%</b>

### c Support costs and the basis of their allocation

Support category:	basis of allocation:	2018 USD 000s	2017 USD 000s
Leadership and governance	estimated time	5,680	5,171
Financial management	pro-rata by thematic programme expenditure	8,504	8,351
Information systems	pro-rata by thematic programme expenditure	3,810	3,948
Human resources	headcount	4,502	4,331
Facilities and administration	headcount	3,732	3,922
<b>Total management and administration expenditure</b>		<b>26,228</b>	<b>25,723</b>
Investment in system improvements	according to support category	7,607	4,767
Members' donated services	according to support category	5,473	3,391
Pro-bono professional services	according to support category	7,113	6,338
(Gains) / losses on foreign exchange	pro-rata by thematic programme expenditure	(1,145)	1,303
<b>Total support costs</b>		<b>45,276</b>	<b>41,522</b>

d *Geographical analysis of expenditure*

	2018 USD 000s	2017 USD 000s
Afghanistan	16,714	18,075
Bangladesh	158,181	56,566
Cambodia	12,785	12,744
Central Asia	2,082	3,026
China	9,280	10,483
Democratic People's Republic of Korea	67	801
Indonesia	15,942	11,085
Laos	8,315	6,023
Myanmar	64,502	71,795
Nepal and Bhutan	48,569	71,075
Philippines	17,258	23,363
Sri Lanka	2,885	3,833
Thailand	5,727	6,001
Vietnam	9,326	8,060
Asia regional office - programme expenditure	2,037	1,871
Asia regional office - oversight and support	4,375	4,515
<b>Asia</b>	<b>378,045</b>	<b>309,316</b>
Albania	5,074	3,992
Armenia	1,234	1,041
Egypt	15,106	9,507
Northwest Balkans	5,566	3,521
Georgia	1,180	730
Occupied Palestinian Territory	9,513	8,403
Iraq	26,958	35,407
Jordan	(67)	105
Kosovo	4,053	2,683
Lebanon	20,748	37,114
Syria	35,656	16,933
Turkey	4,367	21,086
Ukraine	4,584	3,217
Yemen	58,653	41,507
European Refugee Response Sub-Regional Office (Greece)	424	25,300
Middle East and Eastern Europe regional office - programme expenditure	1,208	2,387
Middle East and Eastern Europe regional office - oversight and support	3,925	3,254
<b>Middle East and Eastern Europe</b>	<b>198,182</b>	<b>216,187</b>
Bolivia	5,630	5,323
Colombia	6,652	6,317
El Salvador	7,258	6,589
Guatemala	14,312	15,543
Haiti	6,700	8,972
Nicaragua	3,430	3,264
Peru and Ecuador	2,082	5,634
Latin America and Caribbean regional office - programme expenditure	8,605	4,601
Latin America and Caribbean regional office - oversight and support	1,491	1,358
<b>Latin America and Caribbean</b>	<b>56,160</b>	<b>57,601</b>
Burkina Faso	4,963	4,732
Central African Republic	14	46
Cote d'Ivoire	21,764	17,636
Democratic Republic of the Congo	24,456	17,526
Liberia	2,861	1,493
Mali	26,431	20,756
Niger	28,494	28,194
Nigeria	64,245	50,219
Senegal	4,908	5,365
Sierra Leone	5,525	9,588
West and Central Africa regional office - programme expenditure	1,829	1,670
West and Central Africa regional office - oversight and support	4,724	3,517
<b>West and Central Africa</b>	<b>190,214</b>	<b>160,742</b>



Ethiopia	98,874	118,978
Kenya	19,687	22,261
Malawi	32,692	62,947
Mozambique	25,829	36,121
Rwanda	9,598	9,729
Somalia	76,729	116,580
South Sudan	29,088	35,939
Sudan	8,764	2,862
Tanzania	9,630	13,464
Uganda	25,960	22,110
Zambia	8,130	12,290
Zimbabwe	6,741	11,713
East and Southern Africa regional office- programme support	4,827	5,613
East and Southern Africa regional office- oversight and support	5,171	4,364
<b>East and Southern Africa</b>	<b>361,720</b>	<b>474,971</b>
Addis Ababa	963	571
Brussels	1,009	921
Geneva	1,475	1,395
New York	600	635
<b>Save the Children advocacy offices</b>	<b>4,047</b>	<b>3,522</b>
Save the Children International centre	44,807	46,721
Global strategic investment programme	15,505	13,377
<b>Total expenditure</b>	<b>1,248,680</b>	<b>1,282,437</b>

e Net income for the year is stated after charging:

	2018 USD 000s	2017 USD 000s
Auditor's remuneration:		
Audit of these financial statements	522	520
Amounts receivable by the charity's auditor and its associates in respect of		
Audit of financial statements of subsidiaries of the charity	29	28
Audit of financial statements of branches of the charity	65	30
Other assurance services	492	360
Tax advisory services	-	35
Forensic advisory services	-	442
Lease rental payments	32,382	36,443
Depreciation	1,794	2,085

f Trustees' remuneration

None of the trustees received any remuneration from the charity during 2018 (2017: nil). None of the trustees received any other benefits in kind during 2018 (2017: nil).

Expenses, including travel and subsistence were reimbursed to trustees or paid to third parties on behalf of trustees as follows: 14 trustees totalling USD 45,086 (2017: 10 trustees totalling USD 29,850).

Save the Children International purchased trustee indemnity insurance to the value of GBP 10 million (USD 12.8 million) which covers the trustees or other officers of the charity. These insurances provide cover:

- to protect the charity from loss arising from the neglect or defaults of its trustees, employees or agents
- to indemnify the trustees or other officers against legal liability for inadvertent errors or omissions on their part.

#### 4 Staff costs

	2018 USD 000s	2017 USD 000s
<b>a Staff costs</b>		
Wages and salaries	281,902	262,673
Social security costs and payroll taxes	8,340	7,425
Pension contributions	8,085	6,830
Terminal grants	14,666	16,079
Benefits in kind	24,570	23,822
Other staff costs	23,780	25,744
<b>Total direct staff costs</b>	<b>361,343</b>	<b>342,573</b>
Donated staff costs from members	5,011	5,951
<b>Total staff costs</b>	<b>366,354</b>	<b>348,524</b>

Save the Children International contributes to a defined contribution scheme for staff at the centre, a group personal pension (GPP) operated on a salary sacrifice basis. Employers' contributions of USD 1,511,341 (2017: USD 1,197,132) are charged to the consolidated statement of financial activities. Employer pension contributions made for employees whose emoluments are in excess of USD 90,000 were USD 459,678 (2017 : USD 305,631). There were no outstanding or prepaid contributions at year end.

Save the Children International contributes to a long term savings plan for programme staff on International contracts. Employers' contributions charged to the consolidated statement of financial activities were USD 3,343,994 (2017: USD 3,259,574).

Donated staff costs from members represents secondees from members provided for no consideration. The value of these secondees is included within gifts in kind in note 2 (c).

#### b Average number of Save the Children International employees calculated on a full-time equivalent basis:

	Country offices	Regional offices	Advocacy offices	Centre	2018 Total	2017 Total
Charitable activities	16,264	318	43	315	16,940	16,474
Fundraising	159				159	21
	<b>16,423</b>	<b>318</b>	<b>43</b>	<b>315</b>	<b>17,099</b>	<b>16,495</b>

#### c The table below shows the number of staff (including secondees from members) with emoluments falling in the following ranges. Emoluments include salary, taxable benefits in kind and other payments to employees but not employer pension contributions.

For members of staff working in our International programmes, emoluments may include accommodation and other benefits, which allow us to be appropriately competitive in recruiting and retaining staff in the International Non-Governmental Organisation market. Employees based in Save the Children International's centre office receive salary amounts in GBP and therefore foreign exchange movements between GBP and USD will impact comparisons between financial years.

	2018	2017
USD 0 - USD 15,000	16,468	17,654
USD 15,001 - USD 30,000	3,833	3,810
USD 30,001 - USD 45,000	999	965
USD 45,001 - USD 60,000	422	385
USD 60,001 - USD 75,000	254	235
USD 75,001 - USD 90,000	129	141
USD 90,001 - USD 105,000	81	81
USD 105,001 - USD 120,000	62	52
USD 120,001 - USD 135,000	31	31
USD 135,001 - USD 150,000	30	25
USD 150,001 - USD 165,000	18	22
USD 165,001 - USD 180,000	10	9
USD 180,001 - USD 195,000	6	6
USD 195,001 - USD 210,000	4	5
USD 210,001 - USD 225,000	2	6
USD 225,001 - USD 240,000	5	2
USD 240,001 - USD 255,000	1	-
USD 255,001 - USD 270,000	-	4
USD 270,001 - USD 285,000	2	1
USD 285,001 - USD 300,000	1	1
USD 300,001 - USD 315,000	-	-
USD 315,001 - USD 330,000	1	-

#### d Remuneration of key management personnel

The trustees delegate the day to day running of the organisation to the Senior Leadership Team who are considered to be the key management personnel. Remuneration for members of the Senior Leadership Team for the year ended 31 December 2018 are detailed below

Position	No of employees	Actual gross remuneration 2018 USD	Full time equivalent salary 2018 USD	No of employees 2017	Full time equivalent salary 2017 USD
Chief Executive Officer	1	321,703	321,703	1	299,136
Chief Operating Officer	1	278,226	278,226	1	257,911
Chief Financial Officer	1	144,166	203,528	1	255,107
Other Senior Leadership Team members	6	1,102,159	1,112,892	5	986,664
<b>Total remuneration for key management personnel</b>		<b>1,846,254</b>	<b>1,916,349</b>		<b>1,798,818</b>

In addition to the gross salaries, USD 310,848 (2017: USD 278,306) was paid for employer's National Insurance and pension contributions in respect of the above individuals.

5 Tangible fixed assets	Computer software systems USD 000s	Furniture, fittings and equipment USD 000s	Motor vehicles USD 000s	Leasehold property USD 000s	Freehold property USD 000s	Total USD 000s
<i>Group</i>						
<i>Cost</i>						
Brought forward at 1 January 2018	7,996	1,013	7,107	990	2,517	19,623
Additions	5,954	16	421	-	-	6,391
Disposals	-	-	(210)	(46)	-	(256)
Carried forward at 31 December 2018	13,950	1,029	7,318	944	2,517	25,758
<i>Depreciation</i>						
Brought forward at 1 January 2018	5,452	751	5,475	592	335	12,605
Charge for the financial year	916	78	604	87	109	1,794
Disposals	-	-	(138)	(1)	-	(139)
Carried forward at 31 December 2018	6,368	829	5,941	678	444	14,260
<i>Net book value</i>						
31 December 2018	7,582	200	1,377	266	2,073	11,498
31 December 2017	2,544	262	1,632	398	2,182	7,018
<i>Charity</i>						
<i>Cost</i>						
Brought forward at 1 January 2018	7,898	1,003	6,630	990	2,517	19,038
Additions	5,958	18	421	-	-	6,397
Disposals	-	(6)	(189)	(46)	-	(241)
Carried forward at 31 December 2018	13,856	1,015	6,862	944	2,517	25,194
<i>Depreciation</i>						
Brought forward at 1 January 2018	5,359	746	5,090	592	335	12,122
Charge for the financial year	919	75	575	87	109	1,765
Disposals	-	-	(124)	(1)	-	(125)
Carried forward at 31 December 2018	6,278	821	5,541	678	444	13,762
<i>Net book value</i>						
31 December 2018	7,578	194	1,321	266	2,073	11,432
31 December 2017	2,539	257	1,540	398	2,182	6,916
All fixed assets are held for direct charitable purposes.						
Leasehold property amounts all relate to long-term leases.						
6 Stock			2018 USD 000s Group	2018 USD 000s Charity	2017 USD 000s Group	2017 USD 000s Charity
<i>Undistributed gifts in kind</i>						
Food aid			3,168	3,168	3,866	3,743
Pharmaceutical and medical goods			1,204	1,136	2,757	2,755
Other goods			573	413	939	837
Total undistributed gifts in kind			4,945	4,717	7,562	7,335
<i>Other Stocks</i>						
Food aid			1,243	1,243	2,443	2,442
Pharmaceutical and medical goods			4,231	4,072	3,903	3,802
Other goods			5,856	4,876	7,211	5,535
Total other stocks			11,330	10,191	13,557	11,779
Total stock			16,275	14,908	21,119	19,114

7 Debtors	2018 USD 000s Group	2018 USD 000s Charity	2017 USD 000s Group	2017 USD 000s Charity
Amounts due from Save the Children members	125,594	122,974	160,073	143,173
Amounts due from subsidiary undertakings	-	1,511	-	5,899
Amounts due from Save the Children Association	135	135	-	-
Other debtors	9,604	9,082	9,748	8,493
Prepayments and accrued income	10,455	9,221	12,042	10,762
	<b>145,788</b>	<b>142,923</b>	<b>181,863</b>	<b>168,327</b>

8 Investments	2018 USD 000s Group	2018 USD 000s Charity	2017 USD 000s Group	2017 USD 000s Charity
Short Term deposits	35,302	35,302	-	-
Other Investments	860	860	-	-
	<b>36,162</b>	<b>36,162</b>	<b>-</b>	<b>-</b>

Other investments includes equities at cost and other deposits not maturing within one year. They are shown within fixed assets on the balance sheet

9 Cash at bank and in hand	2018 USD 000s Group	2018 USD 000s Charity	2017 USD 000s Group	2017 USD 000s Charity
Cash held at centre	112,398	112,398	85,573	85,573
Cash held in overseas offices	65,757	55,519	67,393	59,793
	<b>178,155</b>	<b>167,917</b>	<b>152,966</b>	<b>145,366</b>

10 Creditors due within one year	2018 USD 000s Group	2018 USD 000s Charity	2017 USD 000s Group	2017 USD 000s Charity
Amounts due to Save the Children Association	-	-	176	176
Amounts payable to Save the Children members	205,892	203,494	184,966	173,158
Trade creditors	8,495	8,432	8,743	8,549
Financial instrument liability	1,377	1,377	93	93
Other short term liabilities	8,636	8,462	10,205	9,180
Accruals and deferred income	41,656	36,508	40,708	36,339
	<b>266,056</b>	<b>258,273</b>	<b>244,891</b>	<b>227,495</b>

Amounts payable to Save the Children members include amounts advanced to Save the Children International to fund working capital.

11 Provisions	Balance as at 1 January 2018 USD 000s	Arising in the financial year USD 000s	Utilised in the financial year USD 000s	Provisions released USD 000s	Balance as at 31 December 2018 USD 000s
<b>Group</b>					
Terminal grant provisions	37,228	14,666	(13,030)	-	38,864
Property dilapidations	302	125	-	-	427
Operating lease provision	413	-	-	(98)	315
Provision for tax liability	1,310	6,277	-	(660)	6,927
Other provisions	1,518	6,185	(4,788)	-	2,915
	<b>40,771</b>	<b>27,253</b>	<b>(17,818)</b>	<b>(758)</b>	<b>49,448</b>
<b>Charity</b>					
Terminal grant provisions	34,402	13,159	(12,063)	-	35,498
Property dilapidations	292	124	-	-	416
Operating lease provision	413	-	-	(101)	312
Provision for tax liability	1,212	6,279	-	(660)	6,831
Other provisions	1,479	5,427	(4,482)	-	2,424
	<b>37,798</b>	<b>24,989</b>	<b>(16,545)</b>	<b>(761)</b>	<b>45,481</b>

Terminal grant provisions are contractual amounts due to employees in country and regional offices when leaving employment with Save the Children International.

Property dilapidations represent the estimated costs of payments required to make good the condition of properties on the termination of leases

The operating lease provision represents the value of lease inducements (rent free period) received by Save the Children International. It will be utilised over the term of the lease.

The tax provision represents estimates of the amounts of liabilities for employee taxes in country and regional offices.

12 Analysis of net assets between funds

	2018 Unrestricted USD 000s	2018 Restricted USD 000s	2018 Total USD 000s
Fixed assets	12,358	-	12,358
Current assets	325,133	50,387	375,520
Current liabilities	(266,056)	-	(266,056)
Provisions	(49,448)	-	(49,448)
	<b>21,987</b>	<b>50,387</b>	<b>72,374</b>

13 Commitments under operating leases

The total future minimum lease payments and current year expenditure on non-cancellable operating leases

	2018 Land and buildings USD 000s	2018 Other leases USD 000s	2017 Land and buildings USD 000s	2017 Other leases USD 000s
lease payments recognised as current year expense	18,682	2,361	20,150	2,728
lease payments due within one year	12,154	923	15,355	258
lease payments due between one and five years	8,711	5	12,710	21
lease payments due after five years	602	-	493	-
	<b>21,467</b>	<b>928</b>	<b>28,558</b>	<b>279</b>

14 Financial commitments

a At 31 December 2018, Save the Children International has committed the following amounts in grants to partners subject to satisfactory performance. These amounts will form part of the grants allocated in future years. These amounts are fully funded by Save the Children members

	Balance as at 1 January 2018 USD 000s	Charged to SOFA In 2018 USD 000s	New commitments USD 000s	Balance as at 31 December 2018 USD 000s
Commitments to partner organisations	212,540	(239,172)	249,268	222,636
Commitments to partner organisations consist of amounts falling due			2018 USD 000s	2017 USD 000s
within one year			133,514	177,102
after one year			89,122	35,438
			<b>222,636</b>	<b>212,540</b>

b Save the Children International has entered into a number of long-term contracts for the supply of services all of which are cancellable.

c At 31 December 2018 Save the Children International had entered into a number of forward contracts for the purchase of foreign currency to reduce currency risk related to member contributions to Save the Children International costs in 2019. The contracts were entered into during 2018 and will all mature during 2019.

Member	Currency	Value of contracts in purchased currency	USD equivalent as at 31 December 2018
Save the Children Australia	Australian Dollar	1,762,711	1,245,425
Save the Children Denmark	Danish Krone	22,753,888	3,490,015
Save the Children Finland	Euro	915,754	1,048,612
Save the Children Germany	Euro	2,143,057	2,453,972
Save the Children Italy	Euro	4,133,419	4,733,095
Save the Children Netherlands	Euro	1,618,405	1,853,203
Save the Children New Zealand	New Zealand Dollar	440,279	295,628
Save the Children Spain	Euro	1,618,632	1,853,463
Save the Children Sweden	Swedish Krone	57,631,200	6,424,389
			<b>23,397,802</b>

## 15 Consolidated statement of funds

	Balance as at 1 January 2018 USD 000s	Income USD 000s	Expenditure USD 000s	Transfers USD 000s	Balance as at 31 December 2018 USD 000s
<i>Unrestricted funds</i>					
General funds	433	12,380	(9,623)	-	3,190
Fixed asset funds	7,018	1,813	(1,133)	3,800	11,498
Hedged instrument fund	(93)	93	-	-	-
International programming reserve	7,044	1,745	-	(2,790)	5,999
Closure reserve	1,300	-	-	-	1,300
Designated funds	15,269	3,651	(1,133)	1,010	18,797
<b>Total unrestricted funds</b>	<b>15,702</b>	<b>16,031</b>	<b>(10,756)</b>	<b>1,010</b>	<b>21,987</b>
<i>Restricted funds</i>					
International programme grants	55,167	1,122,392	(1,134,484)	3	43,078
International programme operational fund	6,187	67,059	(71,252)	2,210	4,204
Strategic investment fund	331	21,122	(17,128)	(3,280)	1,045
Donated professional services	-	5,248	(5,248)	-	-
Member growth fund	(83)	11,898	(9,812)	57	2,060
<b>Total restricted funds</b>	<b>61,602</b>	<b>1,227,719</b>	<b>(1,237,924)</b>	<b>(1,010)</b>	<b>50,387</b>
<b>Total funds</b>	<b>77,304</b>	<b>1,243,750</b>	<b>(1,248,680)</b>	<b>-</b>	<b>72,374</b>

General funds represent the amounts that trustees are free to use in accordance with Save the Children International's charitable objectives.

The fixed asset fund represents the net book value of tangible fixed assets. The value of fixed assets acquired out of general funds, the international programme operational fund, the international programme investment fund and the fixed asset replacement fund are transferred to the fixed asset fund.

The fixed asset replacement fund represents the proceeds from the sale of fixed assets in accordance with the member agreements.

The hedged instrument fund represents the "mark to market" valuation at 31 December 2018 of the outstanding foreign exchange forward contracts and currency swaps. The asset / (liability) will be discharged upon the maturity of the contracts.

Use of the international programming reserve is governed by a legal agreement between Save the Children International and international programming members and is principally intended to cover any material foreseen or unforeseen programming liabilities. As well as cash contributions from members of USD 8.8million, members have committed an additional USD 6.2million in the form of standby letters of credit which give the charity unconditional and irrevocable access on demand to funds in the event of the use of reserves being required.

The closure reserve represents the funds set aside to provide for the costs in the event of the closure of the non-programming functions of the charity.

International programme grants represent funds received from members for development and humanitarian projects.

The international programme operational fund represents contributions received from members for the running costs of Save the Children International's international programme work, not directly attributable to projects.

The Strategic Investment Fund represents contributions received from members for costs related to investments in Save the Children International's strategic priorities.

Donated professional services represents the value of services provided directly to Save the Children International free of charge.

The member growth fund represents funds received to support the continued growth and development of members.

## 16 Subsidiary companies

Save the Children International had ten wholly-owned subsidiary entities at 31 December 2018:

- a *The Save the Children Alliance Trading Limited* is incorporated in England and Wales (company number 3744223) as a company limited by shares. It was made a dormant company in 2007; its principal activities were the provision of consultancy services to Save the Children International and commercial use of the Save the Children name and logo. The charity holds the entire issued share capital. The cost of this investment is £1.
- b *Save the Children Asia Regional Office Limited* is a Singapore incorporated public company limited by guarantee with registered Company No: 201024335C and registered as a charity under the Singapore Charities Act. Save the Children International is the sole member of Save the Children Asia Regional Office Limited. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2018 were as follows:

	2018 USD 000s	2017 USD 000s
Assets	463	498
Liabilities	(683)	(137)
Total net assets	(220)	361
Income	6,412	6,156
Expenditure	(6,411)	(6,386)
Net incoming resources	1	(230)

- c *Shpetonl Femijet (Save the Children)* is incorporated as a foundation under Albanian law. The board members are all employees of Save the Children International and are responsible for appointing other board members of Shpetonl Femijet. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2018 were as follows:

	2018 USD 000s	2017 USD 000s
Assets	459	778
Liabilities	(427)	(747)
Total net assets	32	31
Income	5,074	4,106
Expenditure	(5,075)	(3,992)
Net incoming resources	(1)	114

- d *Save the Children International (Kenya)* is incorporated in Kenya under the Non-Governmental Organizations Co-ordination Act. Save the Children International is the sole corporate member of Save the Children International (Kenya). The company's net assets, liabilities, income and expenditure for the year ended 31 December 2018 were as follows:

	2018 USD 000s	2017 USD 000s
Assets	1,734	1,100
Liabilities	(838)	(204)
Total net assets	896	896
Income	19,686	22,687
Expenditure	(19,687)	(22,260)
Net incoming resources	(1)	427

- e *Save the Children International (Zambia)* is incorporated in Zambia under the Societies Act with registered no. ORS/102/35/3906. The members of Save the Children (Zambia) are Save the Children International and the International Programming Director of Save the Children International. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2018 were as follows:

	2018 USD 000s	2017 USD 000s
Assets	416	537
Liabilities	(408)	(529)
Total net assets	8	8
Income	8,130	12,456
Expenditure	(8,130)	(12,290)
Net incoming resources	-	166

- f *Save the Children International (US Global Advocacy Office), Inc.* was incorporated in Delaware, USA as an exempt non-profit organisation. Save the Children International is sole member with right to remove and appoint director / officer(s). The company's net assets, liabilities, income and expenditure for the year ended 31 December 2018 were as follows:

	2018 USD 000s	2017 USD 000s
Assets	116	136
Liabilities	(116)	(137)
Total net assets	-	(1)
Income	600	706
Expenditure	(600)	(635)
Net incoming resources	-	71

- g *Save the Children Philippines (SCP), Inc.* (Company registration number CN201408291) was incorporated in the Philippines as a non-stock non-profit corporation. All Incorporators, Trustees and Members are appointed by Save the Children International and are Save the Children International employees. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2018 were as follows:

	2018 USD 000s	2017 USD 000s
Assets	5,561	9,988
Liabilities	(3,937)	(8,367)
Total net assets	1,624	1,621
Income	17,257	22,786
Expenditure	(17,258)	(23,363)
Net incoming resources	(1)	(577)

h Fundación Save the Children Colombia (registration number S0046070) was incorporated in Colombia as a Foundation (a type of private, not-for-profit entity). Save the Children International is Sole Member (a corporate member). The company's net assets, liabilities, income and expenditure for the year ended 31 December 2018 were as follows:

	2018 USD 000s	2017 USD 000s
Assets	1,212	2,038
Liabilities	(729)	(1,554)
Total net assets	483	484
Income	6,653	6,872
Expenditure	(6,652)	(6,317)
Net incoming resources	1	555

i Yayasan Sayangi Tunas Cilik (Foundations list number AHJ-01712.50.10.2014) was incorporated in Indonesia as an Indonesian foundation. The majority of Patrons (equivalent of Directors) are appointed by Save the Children International and are Save the Children International employees. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2018 were as follows:

	2018 USD 000s	2017 USD 000s
Assets	5,099	2,035
Liabilities	(4,669)	(2,094)
Total net assets	430	(59)
Income	15,941	11,003
Expenditure	(15,942)	(11,084)
Net incoming resources	(1)	(81)

j Greek NFP partnership is registered in Greece under Greek law (registration number 135942101000). The Partnership consists of 2 partners, both employees of Save the Children International. The company's net assets, liabilities, income and expenditure for the year ended 31 December 2018 were as follows:

	2018 USD 000s	2017 USD 000s
Assets	20	279
Liabilities	(487)	(746)
Total net assets	(467)	(467)
Income	219	18,712
Expenditure	(219)	(18,259)
Net incoming resources	-	453

## 17 Related party transactions

In accordance with the provisions of section 33 of the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), Related Party Disclosures, the related party transactions entered into by Save the Children International are detailed below. All transactions were in the normal course of business.

### a Save the Children Association

Save the Children International has been controlled throughout the financial year by its ultimate parent undertaking Save the Children Association, a Swiss association formed pursuant to Articles 60-79 of the Swiss Civil Code. No other group financial statements include the results of the charity.

At the end of 2018 Save the Children Association comprised 27 members and 1 associate member. Members and associate members are each separate and independent legal entities incorporated under laws of their home country and are bound together as members through: Save the Children Association Bylaws, a Trademark Licence Agreement between Save the Children Association and each member, and an All Member Agreement, entered into in the first quarter of 2011 to implement an international programming strategy.

The boards of Save the Children Association and Save the Children International have identical membership and both are managed on a day-to-day basis by the same leadership team employed by Save the Children International. During the financial year, the following types of transactions took place between Save the Children International and Save the Children Association: grants of USD 29,230,000 (2017: USD 25,680,000) were received by Save the Children International from Save the Children Association.

At the year end, the group balances with Save the Children Association were:

	2018 USD 000s	2017 USD 000s
Amounts due from / (payable to) the Save the Children Association	135	(176)



b *Save the Children members*

During the financial year the following types of transactions took place between Save the Children International and members (primarily the 17 international programming members):

- i Grant Income of USD 1,053,008,000 (2017: USD 1,152,763,000) was received from the members for International programming activities.
- ii Donated services of USD 5,011,000 (2017: USD 5,951,000) were received from members.
- iii Donated goods of USD 125,163,000 (2017: USD 69,360,000) were received from members.
- iv Contributions to the charity's working capital of USD 35,435,772 (2017: USD 35,957,559) have been made by, and are repayable to, members.
- v Donations were received by Save the Children International on behalf of Save the Children members. The sums received are remitted to the relevant member.
- vi Additional commitments have been made by the members to Save the Children International as set out in note 18.

No profit or loss has arisen on these transactions.

At the year end, the group's balances with members were:

	2018 Amounts receivable USD 000s	2018 Amounts payable USD 000s	2018 Net balance USD 000s	2017 Net balance USD 000s
Save the Children member organisation				
Australia	2,438	(3,703)	(1,265)	(7,342)
Canada	3,869	(5,052)	(1,183)	(1,927)
Denmark	6,273	(6,916)	(643)	151
Finland	1,389	(2,408)	(1,019)	(512)
Germany	2,621	(6,605)	(3,984)	7,591
Guatemala	-	-	-	(1,191)
Hong Kong	1,537	(2,246)	(709)	1,039
India	-	(44)	(44)	6
Italy	6,622	(10,294)	(3,672)	(3,298)
Japan	2,166	(1,376)	790	266
Jordan	94	-	94	85
Korea	2,706	(2,550)	156	(238)
Mexico	53	-	53	14
Netherlands	3,250	(4,574)	(1,324)	(941)
New Zealand	267	(254)	13	259
Norway	2,865	(14,165)	(11,300)	(5,628)
Spain	1,671	(2,775)	(1,104)	3,455
South Africa	22	-	22	30
Swaziland	-	(38)	(38)	(38)
Sweden	5,978	(16,784)	(10,806)	(10,653)
Switzerland	1,811	(2,560)	(749)	(753)
United Kingdom	23,573	(42,065)	(18,492)	(9,960)
United States	56,389	(81,483)	(25,094)	3,692
	125,594	(205,892)	(80,298)	(24,893)

## 18 Contingent assets

	2018 International programming reserve commitments (a) USD 000s	2018 international programming closure indemnity (b) USD 000s	2018 Total contingent assets USD 000s	2017 Total contingent assets USD 000s
Save the Children member organisation				
Australia	-	310	310	243
Canada	-	481	481	585
Denmark	-	495	495	1,375
Finland	-	182	182	172
Germany	-	416	416	231
Hong Kong	-	202	202	203
Italy	-	877	877	694
Japan	-	140	140	95
Korea	-	229	229	284
Netherlands	-	440	440	344
New Zealand	-	43	43	52
Norway	-	1,340	1,340	1,194
Spain	-	187	187	151
Sweden	-	1,538	1,538	1,250
Switzerland	-	237	237	208
United Kingdom	3,112	4,238	7,350	9,277
United States	3,100	8,645	11,745	9,854
	6,212	20,000	26,212	26,212

(a) Members have made cash contributions of USD 8,788,000 to enable Save the Children International to meet its requirements to hold free reserves in accordance with the reserves policy agreed by the trustees. In addition, members provided a further USD 6,212,000 during 2016 in the form of standby letters of credit which give the charity unconditional and irrevocable access on demand to funds in the event of the use of reserves being required (see note 15).

(b) The costs associated with the closure / wind-down of the charity's international programming work are covered by member indemnities up to a maximum of USD 20 million.

## 19 Contingent liabilities

Save the Children International is involved in various legal proceedings and claims arising in the normal course of business. Management does not expect the ultimate resolution of these actions to have a material adverse effect on Save the Children International's financial position, changes in net assets, or cash flow.

Save the Children International receives funding from members for various activities, which are subject to audit. Although such audits may result in disallowance of certain expenditures, which would be absorbed by Save the Children International, in management's opinion the ultimate outcome of such audits would not have a significant effect on the financial position, changes in net assets, or cash flows of Save the Children International.