

THE HUNTER FOUNDATION

REPORT CARD

Name *The Hunter Foundation*

Class *2B*

☐ EXCELLENT

☐ AVERAGE

☒ COULD DO BETTER

☐ POOR

MAKING A POSITIVE DIFFERENCE
WHEREVER WE INVEST

2/ our trustees

Our Trustees challenge, debate and refine our strategy on a continual basis, but the one thing they never do is shirk taking risks in the hope we can move things forward just that little bit more...

Sir Tom Hunter -
Entrepreneur

Lady Marion Hunter -
The boss

Vartan Gregorian -
12th President of the
Carnegie Corporation of
New York

Jim McMahon -
Financial Entrepreneur

3/ to date we have invested in excess of £50 million pounds...

Here are a few of our partners, projects and charities we have or are supporting...



COMIC
RELIEF



determined to succeed



Youth Business
Scotland



Appeal
2012



MAKE
POVERTY
HISTORY



4/

One of the tots supported by the
'Healthy Eating / Messy & Wet Play'
through the STV Appeal

Glenboig Play Scheme, One of the groups who
received a Cash For Kids Summer Grant



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	The Clinton Hunter Development Initiative

6 / chair's remarks



Tom with hair!



Marion with dapper dress sense

In 1998 we were lucky enough to sell a business we started 14 years earlier from the back of a van for a great deal of money.

I found myself at 37 years old with a large cheque in the bank and nothing to do!!!

My real education was about to begin. Thanks to the help of my wife, Marion, Dad and the magnificent Vartan Gregorian, The Hunter Foundation began to take shape.

Vartan challenged me that no one individual should have such wealth, so I should go and find good causes and invest for the common good he advocated.

My Dad said find a Chief Executive, find

causes you wish to invest in and treat it like a business.

Marion and I came to the conclusion we would not burden our kids with great wealth, thinking Warren Buffett had gotten it about right; "leave your kids enough that they do something, not too much that they do nothing," he said. We think about this balance every day. We are very proud of the £50m+ we have invested to date but want to do more, much more.

The financial crisis hit us hard, we were not ready, our fault entirely but we took our medicine, regrouped

and now attack out private equity business a little poorer, a lot wiser and with new vigour. I have never been more determined to make money that will then go into the foundation. We have met some incredible people along the way and you will hear from many of them in this report.

My thanks go out to everyone who has helped us but especially Marion, Vartan, Ewan and of course Dad.

People often ask me if money can buy you happiness and my answer is yes, if you give it away...

All the best Tom

7 /

Welcome to
The Campbell Hunter Education Wing

The Hunter Foundation Report Card

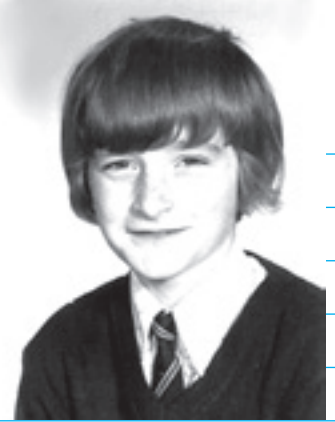
Campbell inaugurates the New Campbell
Hunter Educational Wing at Kelvingrove

8

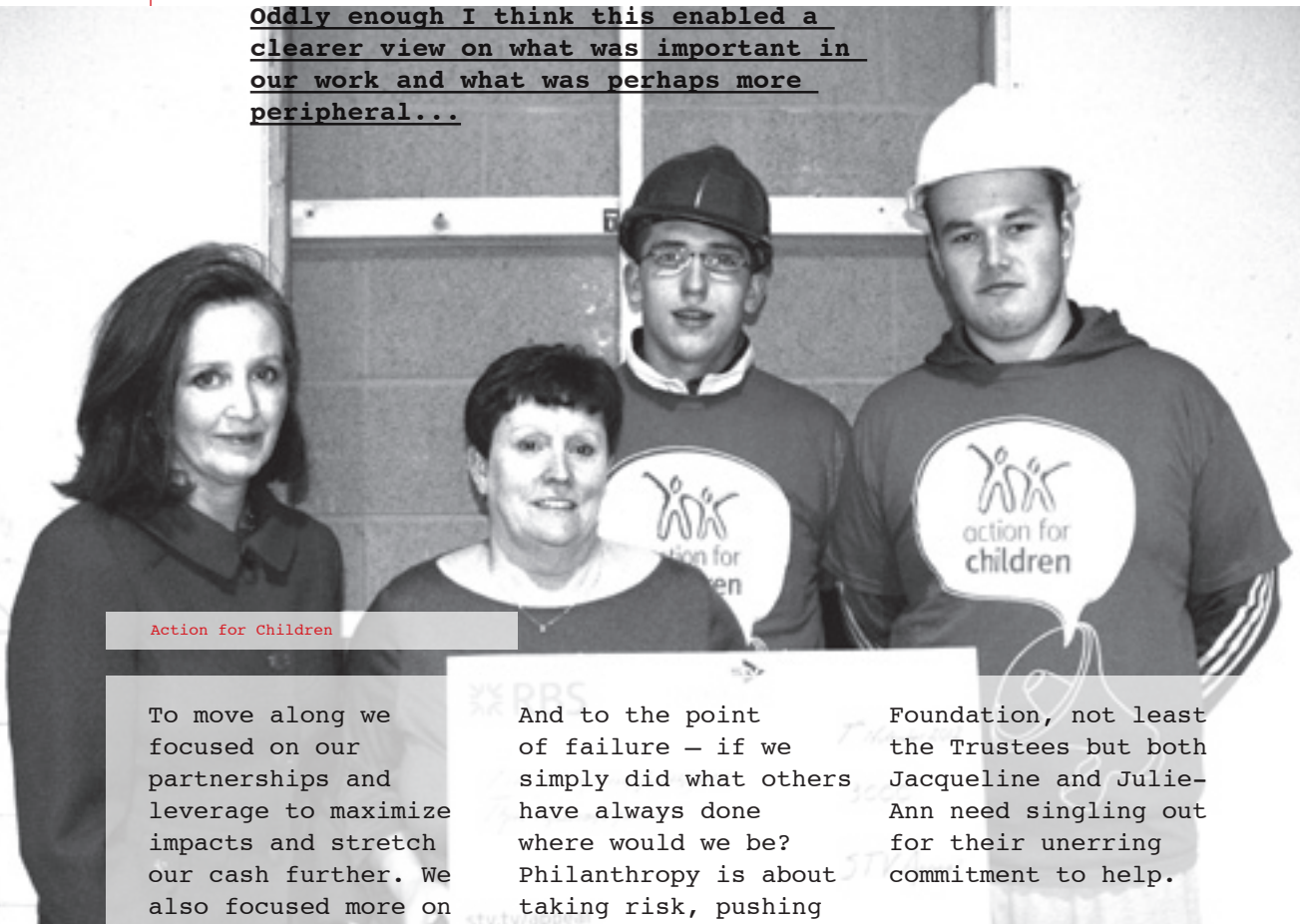
/chief exec's report

Faced with the financial meltdown no one seems to have predicted, we, like many others, had to revise our plans and focus our resources.

Oddly enough I think this enabled a clearer view on what was important in our work and what was perhaps more peripheral...



Ewan the swotty schoolboy. (NOT!)



Action for Children

To move along we focused on our partnerships and leverage to maximize impacts and stretch our cash further. We also focused more on taking calculated risks against stubborn challenges; in other words we gambled. Often the gambles paid off, but occasionally we failed.

And to the point of failure – if we simply did what others have always done where would we be? Philanthropy is about taking risk, pushing the envelope and hopefully changing the dynamics of situations for the better. There are some exceptional people who support our

Foundation, not least the Trustees but both Jacqueline and Julie-Ann need singling out for their unerring commitment to help.

We are a small Foundation but with significant ambition, not for ourselves but for the young people and the families we serve. No child is



Budding entrepreneurs at Young Enterprise Scotland

ever born bad nor should any child be born into poverty and starvation. In Scotland the grip of poverty on our nation remains palpable, in Africa beyond belief in this day and age.

Our motivation is to do something about that and rightly or wrongly we believe economic investment may well be the key to poverty alleviation.

As you will read here alongside for profit investors we are in the process of building a food oil factory in Rwanda.

If we replicate the impact a similar

investment had in Tanzania, one million people will be positively impacted by it in Rwanda; roughly one tenth of the population.

Need I say more?

To those we fund thanks for delivering, keep on doing it.

Going forward we will continue to focus on the Clinton Hunter Development Initiative in Rwanda and in the UK on enabling every child to be all they can be through our various investments.

The Hunter Foundation is imperfect; we learn by doing, we make mistakes.

This report is dedicated to Campbell Hunter, Tom's father, an inspiration to us all and a man I owe my job to.

Tom in the infancy of his philanthropy asked Campbell how to go about this philanthropy business and Campbell, quick as a flash said 'exactly Tom treat it like a business now go and find yourself a chief executive and get on with it'.

We're getting on with it.

Ewan



Positive
Destinations>>>

10/our work in the U.K. the challenge of NEET

The devastating impact of NEET (not in education, training or employment) on young people cannot be overstated, nor indeed can the cost to the taxpayer of young people lost to employment.

Giving children and young people a sense that they can control their own destination, by giving them ownership and developing their confidence, is what makes the difference in the long term.

In partnership with BBC Children in Need, in a joint £2m fund we invested in a series of interventions under the banner Positive Destination aimed at preventing young people from sliding into NEET.

To be clear this is a complicated issue but what is apparent is that solutions prevail and, in our view, greater investment in the early years will yield significant pay back to the individual and to our society.

Let's also be clear the children likely to be affected by NEET are easily identifiable and targeted so there can be no real excuses for not tackling this horrendous issue head on...Prevention has multiple impacts upon the public purse as these projects clearly show.

Potential Savings

Two of the projects invested in a series of interventions by Positive Destinations are given as examples overleaf to illustrate

that the cost of intervention is much less than the cost to the public purse of doing nothing. As well as noting the financial impacts with Children in Need, in actively researching the interventions some key findings, largely unsurprising but important none the less emerged; Children and young people should be given ownership- Projects demonstrated that there is increased engagement when involvement is

11/



Positive Destinations>>>

The Bryson Project through Positive Destinations

voluntary and children and young people have real ownership over elements of the project.

Evidence suggests that group work is less effective than one to one activities and that one to one activities are particularly effective with younger children. Where group work has been a characteristic of projects, and particularly with older young people, this has been successful where group sizes have

remained small (five or six in a group). Children and young people should take a central role in reviewing their own progress. All projects reviewed progress regularly but more impact was observed where this review engaged children and young people, empowering them to set goals, define aspirations and develop ambition.

Involving and supporting parents and families is

critical for lasting change. The need for the engagement of families was evident in all projects: parents, carers and families are a part of the cause as well as a vital part of the solution. Lack of family support was cited as a significant barrier for all projects (and throughout the three years of delivery) in achieving their short and longer term outcomes with children and young people.

12/ potential savings



Positive Destinations>>>

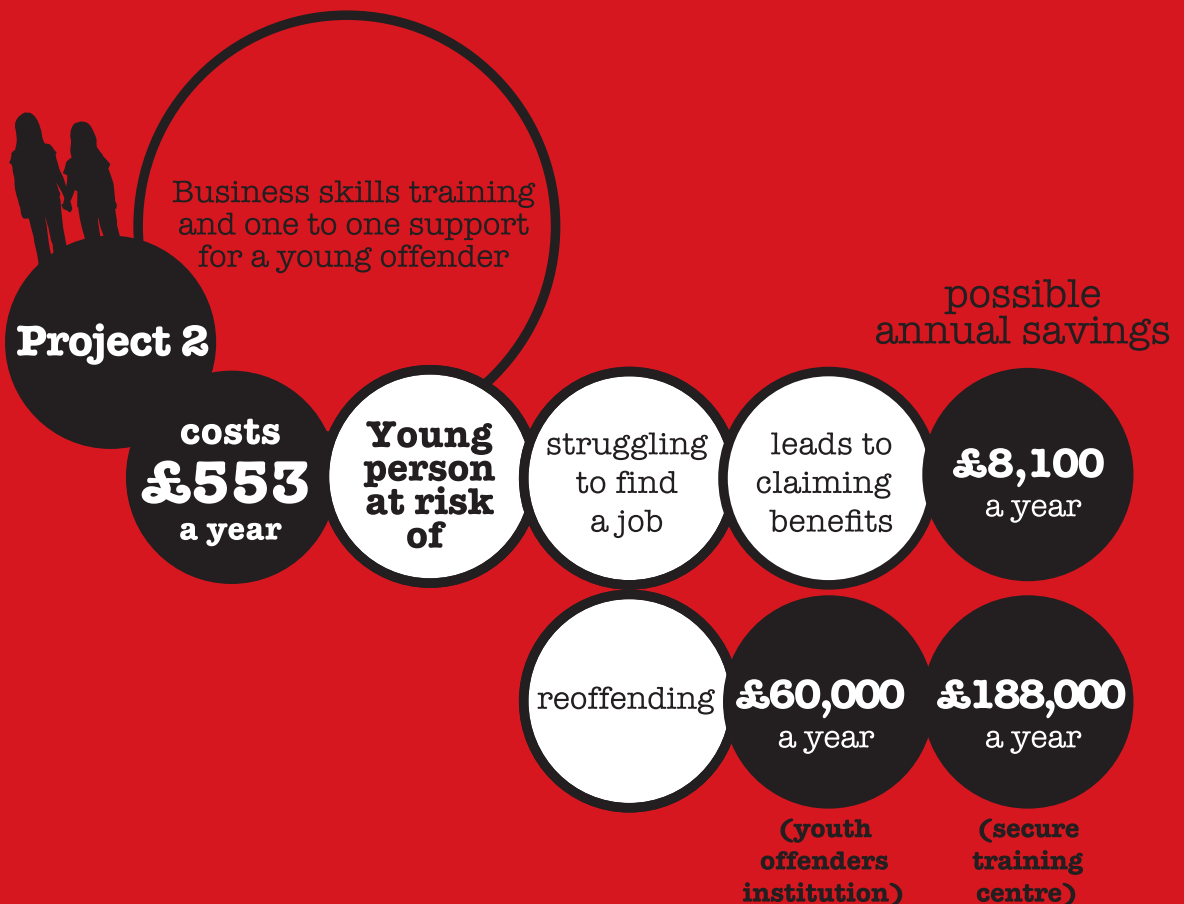
Projects found that providing family support when young people requested it was most successful and the earlier this family support was provided and family problems could be addressed, the sooner progress could be made towards individual goals.



13/



**Positive
Destinations>>>**



Two clear examples of how a modest sum of cash can save significant funds later and provide a positive destination for young people

14/ positive destinations



Positive Destinations>>>

The Knowsley Project supported under Positive Destinations

The challenges of engaging parents were very similar to those experienced when engaging children and young people.

Building a trusting relationship with parents was a key challenge but was considered essential and projects developed a variety of good tactics to work with parents.

Working with parents and carers is labour intensive and leads to additional

responsibilities but is critical in enabling effective work with children and young people. Projects have needed to address the support needs of parents, enable them to access professional support (e.g. for mental health, drug and alcohol dependency and domestic violence issues), build their aspirations, develop their core skills, and build bridges with social services, schools and health professionals in order to engage them in

supporting progress in their children's lives.

By transforming the mind-set of parents and challenging poor home and school engagement, projects were able to work more constructively with children and secure longer term positive outcomes.

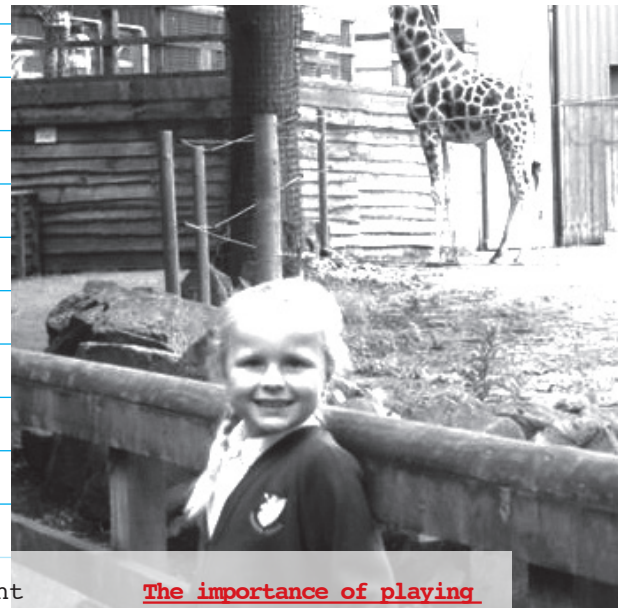
Engaging and actively supporting parents is one of the single most important factors in helping children and young people make lasting changes to their lives.

15/



Positive Destinations»»

The Knowsley Project supported under Positive Destinations



The achievement of any sustained change for children, young people and their families was only possible when projects dedicated significant time and resources to identifying and building these partnerships: attending multi-agency meetings;

developing joint working protocols; coordinating referrals; defining responsibilities and activities; ensuring appropriate signposting and maintaining a commitment to a holistic (multi-agency) approach.

The importance of playing a dual role of advocate and broker on behalf of children, young people and families has been demonstrated by all projects.

To read the full report on Positive Destinations download it from tinyurl.com/cnx49sy



16/ poverty.
It's not all
about the money



It's well known that people who live in poor areas
are less healthy than those who live in rich areas.

why?

'Healthy Eating / Messy & Wet Play'
through the STV Appeal

Sir Harry Burns,
Chief medical Officer of
Scotland on the science
of poverty... Harry is
a trustee of the STV
Charity Appeal.

"A resident of a poor
area can expect to die
about 10 years earlier
than someone who lives
in a better off area
and the gap in life
expectancy between
rich and poor has been
growing for many years.

A number of explanations
have been offered for the
widening gap. It was
originally assumed that
the gap was due to
the fact that, in
poorer areas, people

smoked more, ate
less healthy diets
and drank too much
alcohol. While it's
true that many of them
do, these behaviours,
by themselves, do
not fully explain the
pattern of ill health
we see in Scotland.
Many years of careful
scientific research
have shown that the
explanations for
Scotland's poor health
are more complicated
than just bad habits.

It turns out that the
increased risk of
heart disease, stroke,
diabetes and cancer
that we see in most
deprived areas has some

of its origins in early
life. People living in
deprived circumstances
will normally have
chronically high
levels of stress
hormones. Over many
years, the high
stress levels causes
damage to arteries
and DNA, leading to
increased risk of all
the illnesses we see
commonly in Scotland.
How do these increased
levels of stress
hormones come about?

It turns out that our
stress responses are
set very early in life.
Our brains consist
of many billions of
cells, which are densely

17/



'Healthy Eating / Messy & Wet Play' through the STV Appeal

interlinked to each other. As tiny babies, the ways in which the cells are linked are constantly being shaped by the signals we get from the world around us. If those signals suggest that the world is safe and predictable then our brains, which control our response to stress and threat, set our stress responses to a low level.

Some scientists have compared the process of brain development to the process of serve and return in a game of tennis. A baby who experiences something which upsets

him cries. That's the serve. What happens next depends on the return it gets. If the cry is met with a comforting, consistent response, usually from its mother, baby learns that the world around it is consistent, structured and predictable. Also, he learns, that the discomfort he feels can be made better.

By the time baby has experienced the serve and returns a few thousand times, he learns that he has some control over his world and his brain develops appropriately.

If, on the other hand, baby lives in a chaotic environment in which his cries for help are ignored or met with violence, the serve and return process is abnormal.

Baby learns that the world is not structured and predictable and he has little control over events. In these circumstances, baby's brain develops in a way that sets it up for survival in an inconsistent and threatening world. Part of this survival response is to turn up stress hormone levels.

18/



Lorraine Kelly presenting a cheque to OPFS

This survival pattern of brain growth is at the expense of the centres of the brain concerned with memory and judgment. Children who have this type of experience are less likely to do well at school and are often in trouble because of behaviour problems. Studies have shown that they often have persistently high levels of stress hormones.

One particularly well known study based in New Zealand has followed around 1000 children for 40 years. A subgroup of children was identified as

living in chaotic and difficult circumstances at around age 3.

Forty years later, the researchers found that this group of children are more likely to be unemployed, have criminal convictions, especially for violence, be addicted to drugs or alcohol and, in addition, they have the high levels of stress hormones, the chronic stress will make them more likely to develop heart disease and diabetes as they get older.

Another important study, which looked at the consequences

of adverse events in early life, was carried out, not in deprived areas of Scotland, but in affluent Americans. Children who experienced a range of adverse events such as neglect, abuse or parental absence were more likely to become alcoholics or drug addicts, and were more likely to have been involved in violent behaviour.

It's clear that many of the problems we see in present day Scotland have their origins in the experiences that children have in their very early life.

19/



Youth Alive Summer Outing

Poverty of affection and inconsistency of nurturing and caring behaviour towards children is a significant factor in the widening gap in health in Scotland.

Poverty in the conventional sense contributes to chaotic lifestyles in economically deprived families and it needs to be tackled if health and wellbeing in Scotland is to be transformed. However, tackling financial poverty needs to be done in conjunction with efforts to help parents develop their children. Many projects in Scotland

are doing just that. The Family Nurse Partnership, for example, offers teenage girls who become pregnant access to a highly trained nurse who will provide help and support during pregnancy and for the first two years of the baby's life.

The support gives the young mother confidence in bonding with baby and enhances her sense of control over her life. Both mother and baby have significantly better psychological and physical health outcomes. There are many other parenting projects underway in Scotland at the present time

and they are mainly focused on improving the attachment between parents and children while also teaching parents the basic skills of parenting. These projects are critical to improving Scotland's health. However, investing in support for parents and children will not just improve health. It will improve educational performance in our schools, reduce crime and enhance employability and Scotland's economic performance. **It is, in fact, a no-brainer!** Sir Harry Burns, Chief Medical Officer of Scotland

20/ stv charity appeal



..220,000 children
in Scotland live
in poverty...



STV Appeal 2012, Ardrossan Youth Association being presented with a cheque.

Just two years ago we with our partners at STV established the STV Appeal and in our second year, 2012 we raised over £2m thanks to the matched funding support of First Minister Alex Salmond's Scottish Government.

The Appeal featured a week long series of programmes and a full night's broadcast highlighting key poverty issues but more importantly the solutions to those issues.

The shocking fact remains that 220,000 children in Scotland lives in poverty. In 2012 the STV Appeal, once again, had the support of the Scottish Government which is committed to match-funding the total amount raised in 2012.

21/



Lorraine Kelly visiting a Dundee Project



STVs weatherman Sean Batty and presenter Raman Bhardwaj man the phones



Lorraine Kelly and First Minister Alex Salmond MSP

Working closely with six major Scottish charities (Aberlour, Action for Children, Barnardo's Scotland, Children 1st, Save the Children Scotland and One Parent Families Scotland) the STV Appeal supports initiatives that seek to change the lives of Scotland's most vulnerable young people in a sustainable, long term way.

All the operational costs of the STV Appeal are met by The Hunter Foundation and STV meaning that every penny donated by the public goes directly to support those children most in need.

STV Appeal is firmly established as a force for good; committed to making a real difference to the lives of children affected by poverty.





22/ entrepreneurship the lifeblood of any economy

In 2001 through a £5m endowment we funded The Hunter Centre for Entrepreneurship at Strathclyde University.

Now a world leader in entrepreneurial education and research the Centre also plays a crucial role in the Global Entrepreneurship Monitor (GEM) measuring entrepreneurial activity by country and region.

It is almost satirical that despite years of investment in enterprise education and entrepreneurship,

Scotland, thanks to our own Centre's research, has not moved one jot in becoming more entrepreneurial in the past decade.

We only console ourselves that the millions of pounds we've invested in enterprise education alongside our Government and others maybe stemmed a possible reduction

in entrepreneurial activity rather than just helping to maintain the status quo.

However we won't be beaten and are now investing in three programmes we hope will deliver significant impact on entrepreneurship in Scotland –

Entrepreneurial Spark, Micro-Tyco and the Saltire Foundation.

23/ entrepreneurial spark

The Official opening of
Entrepreneurial Spark with
Cabinet Secretary John Swinney MSP

 **entrepreneurial spark™**
130° 57' 52" N 5° 44' 21" W



Entrepreneurial Spark is the brainchild of a Saltire Foundation Fellow, Jim Duffy, a serial entrepreneur and a man empassioned to give back to Scotland...

His vision is pretty straightforward but with every entrepreneur also aggressively ambitious;

To create a business start-up renaissance in and from Scotland – through the development of entrepreneurial mindsets and behaviours.

To do so Jim has, to date created two 'Hatcheries' in 2012 as he calls them – high growth business accelerators to fast track start-ups with phenomenal growth potential.

The model is simple an entrepreneur offers free space and facilities

to E-Spark, the local Councils provide modest funding and Jim and his team then hothouse innovative entrepreneurs to create high growth businesses...

To date we have a West Coast Hatchery where we in West Coast Capital have provided the support and a Glasgow Hatchery led by our good friend Sir Willie Haughey of City Refrigeration. But as we go to print this nascent model is about to spread to Edinburgh, Inverness, Dundee and we hope Aberdeen creating a network of high growth activity across Scotland.

But Jim doesn't hold his breath he has also created an enviable partnership with the US's leading entrepreneurial educational establishment, Babson College and

is creating local partnerships with schools, colleges and Universities to enable the next generation of entrepreneurs for Scotland.

Others too have recognized the power of E-Spark with the Royal Bank of Scotland sponsoring – and it has to be said hands on mentoring 'chicklets' – the facilities with £ 375 000 of support. E-Spark also stimulated our economic agencies and, led by Cabinet Secretary, John Swinney MSP created a film Scottish Edge Fund where high growth start-up's compete for much needed investment funds...

All told it's an impressive story – to find out more about E-Spark go to www.entrepreneurial-spark.com

24/ storkup

 **entrepreneurial+spark™**
100% GRANT TO BUSINESS



Storkup entrepreneurs Fiona McDonald and Claire Gillespie who have benefitted from E-Spark support by nailing a major investment from Bauer Group.

Storkup, an online social shopping community aimed at mothers and established by Ayrshire entrepreneurs Fiona McDonald and Claire Gillespie, has received a six-figure injection from Bauer Media Group.

The money will support the launch of the service, which enables users to build a list of products that catch their eye as the browse the internet.

Ms McDonald said: **"We are extremely proud and excited to be receiving such a significant investment from a company as respected as Bauer Media Group"**

25/ metrics



Jim and his team at Entrepreneurial Spark are certainly not short of ambition, aiming high:

To create a business start-up renaissance in and from Scotland – through the development of entrepreneurial mindsets and behaviours...

Well so far they have not come up short, two Hatcheries are already underway and as we go to print the Edinburgh Hatchery has been confirmed for Spring 2013 with entrepreneur in residence, Ann Gloag – an entrepreneurial and philanthropic dynamo in her own right – confirmed to lead

the way there with Edinburgh City Council and Napier University... Next up Aberdeen, Inverness or Dundee?

To give a small sense of what this is all about here are a few of the metrics for the Glasgow and Ayrshire Hatcheries:

Glasgow Hatchery - Opened November 2011

Metrics measured

No of chiclets in Hatchery	50
Total number of people	82
No of chiclets flown the coop (off building businesses)	32
No of chiclets working with mentors	47
No of chiclets with global reach	16
No of patents/trademarks	15
No of licences/franchises	14

West Coast Hatchery - Opened June 2012

Metrics measured

No of chiclets in Hatchery	48
Total number of people	69
No of chiclets flown the coop (off building businesses)	3
No of chiclets working with mentors	47
No of chiclets with global reach	11
No of chiclets generating revenue	30
No of patents/trademarks	4
No of licences/franchises	2

An amazing start to what will be an incredible journey for Scotland...

26/ micro-tyco challenging children to chief executives to turn £1 into a small fortune...

a little bit of magic
goes a long way

MICRO-TYCO

'I don't like maths but
I love counting my money

Jamie, one of the Micro-Tyco success stories

"I believe that our country can lead the world in the evolution
of enterprise education. Micro-Tyco unites everyone in our
community, from our children to our corporate executives with
that vision; that business can and must be a force or good."

Mick Jackson, founder of the WildHearts charity,
which runs Micro-Tyco, sums up the charity's endeavours.

27/

MICRO-TYCO

Micro-Tyco provides an opportunity for small groups of youngsters from nursery age all the way up to college and university to compete against multinational corporations in an amazing challenge.

With the help of business mentors, teams

have to try to transform £1 into as much money as possible, using their entrepreneurial skills. All money generated through the challenge is then invested by WildHearts in micro-loans for the poorest people in a number of countries across the globe.

Last year saw 550 teams from schools, colleges, universities and businesses took part in Micro-Tyco.

The numbers we believe speak for themselves.

£1 =

St Joseph's Academy/Aberdeen

£9527.37

£1 =

Mossneuk Primary School/East Kilbride

£3473.96

"I didn't really like school, the only subject I liked was sports coaching. I got suspended twice and I can't remember why I got suspended. We had to borrow a pound from Micro-Tyco but when I was sitting thinking about it, the only thing I would really do with a pound is buy a scratchy card or I'd put a football coupon on. Before I started Micro-Tyco I would have never been on time for anything. I would

have showed up 10, 15 minutes late. But when I was doing Micro-Tyco, I was 10 minutes early and ready to work. Now I know how to go about setting up a business; like investing money, keeping half of it and investing the other half in something, and if that doesn't work out for me, using the other half to invest in another thing. I know how to go about making money now, keeping money and basically make myself a profit. Back

before I started doing Micro-Tyco, I didn't think I would even be able to get near setting up a business. Now I feel as if anybody could really set up a business. I could get a job now. If I went for the interview I would feel more confident and I'd be able to tell the people what I've done, my achievements and that. Micro-Tyco has changed my whole outlook and my future."

28/ the saltire foundation

Creating the
next generation
of global leaders
based in Scotland

 SaltireFoundation
Invest. Inspire. Succeed.



John Buchan said the task of leadership is not to put greatness into people, but to elicit it, for the greatness is there already.

Leadership in developing Scotland's businesses is crucial to our long-term success on the global stage hence our support for the Saltire Foundation.

The Foundation operates two distinct schemes: The Undergraduate internship programme and the Saltire Fellowship targeted at individuals with considerable business experience.

The Foundation's motto is: Invest. Inspire. Succeed. And the aim is to "Find, Fuel and Spark" the next generation of Scottish business leaders.

To find out more about Saltire go to saltirefoundation.com

29/

Tragically almost half a century on and
it seems poverty is only getting worse.

Many of us of course think of poverty as a developing world phenomenon; sadly its not.

Mirroring our work with Children in Need in the UK, we currently

work with two media partners in Scotland to raise both funds and awareness of the poverty issues facing thousand upon thousands of families in Scotland.

30/ Cash for kids

By the age of 11, 1 in 5 children, the majority from the poorest backgrounds, are already falling behind in terms of their reading and writing.



West Glasgow grandparent Support Group.
The First Bus to M&D's - July 2012

Established in 1981, we have supported Radio Clyde's Cash for Kids charity for many years.

In 2003 we committed £ 1m to fund CFK's overhead costs for ten years ensuring every pound raised went straight to the kids most in need.

Children living in poverty are three times as likely to leave school without any qualifications. And those experiencing current or persistent poverty are more likely to play truant and leave school at the age of 16.

Poverty has very real, significant and long-lasting effect on children's health, education and social skills and helping to

break that cycle is where Cash for Kids, and your vital donations, play a part. With your help, we can change those statistics. Throughout the past year Cash for Kids distributed just under £1.6 million in the form of 25,000 family grants and 520 community support grants, directly supporting 100,000 vulnerable children in the west of Scotland.

BRITISH AIRWAYS

31/



Children from Charity Bobath that benefitted from a trip to London Paralympics through CFK's and BA

Since its inception, Cash for Kids has raised an astonishing £23m and helped 1.6 million kids in desperate need of our help at Christmas...and now all year round.

How does your money help?

Cash for Kids helps children in the west of Scotland in many different ways. We make every single penny of your valuable donations work hard and benefit a range of different groups and families to help make their lives better.

It could be those living in poverty that need support to break out of their difficult and sometimes dangerous daily routine, it could be

those whose lives are severely impacted by serious illness and it could be those who have special needs who need support to learn and develop as their own people.

Supporters of Cash for Kids have faithfully supported the charity for over 30 years and now your support is needed more than ever.

Supporting the people and groups that help our most vulnerable children is one way that your money makes a massive difference to the health and well-being of children in the west of Scotland whose lives are impacted by poverty or by social situations that are simply not of their making.

In 2011 we made 25,998 awards ranging from individual family grants to substantial grants to help large projects.

Our biggest, for £50K, was made to 'Calum's Cabin' - a respite holiday home that allows families with a child with cancer to have a wonderful holiday on the Isle of Bute - to help establish a second cabin opened in 2012.

The charity has to date raised some £23m for young people affected by poverty in the West of Scotland and last year supported an incredible 117,000 young people.

To find out more about their work go to clydecashforkids.com

32/ Bill Gates on catalytic giving

“ I am a true believer in the power of capitalism to improve lives. Where the free market is allowed to operate, it is agile and creative. It can meet demand the world over and plays a central role in increasing living standards. ”

But when my wife, Melinda, and I made our first trip to Africa in 1993, it was really our first encounter with deep poverty, and it had a profound impact on us. Not long after we returned we read that millions of poor children on that continent were dying every year from diseases that, essentially, nobody dies from in this country: measles, malaria, hepatitis B, yellow fever. Rotavirus, a disease I had never even heard of, was

killing half a million kids each year—none of them in the U.S. We assumed that if millions of children were dying, there would be a massive worldwide effort to save them. But we were wrong. While the private sector does a phenomenal job meeting human needs among those who can pay, there are billions of people who have no way to express their needs in ways that matter to markets. And so they go without. And while private markets foster many

stunning innovations in medicine, science and technology, the private sector still under-invests in innovation—dramatically. There are huge opportunities for innovation that the market ignores because those taking the risk capture only a small subset of the returns.

Innovations for the poor suffer from both of those market limitations. The market is not going to place huge bets on research when there are no buyers for a

breakthrough. This explains why we have no vaccine for malaria today, even though a million people die from it every year. In this gap government plays an important role. It can offer services where the market does not and thus provides a safety net. To some extent it also fills in where the market leaves off in funding innovation. Medical research at the National Institutes of Health is a great example. But government faces

its own obstacles to funding innovation. It generally does not take the long view, because election cycles are short. Government is averse to risk, given the eagerness of political opponents to exploit failures. Unlike the private market, government is good not at seeding numerous innovators but at backing only the ones that make progress. So when you come to the end of the innovations that business and

government are willing to invest in, you still find a vast, unexplored space of innovation where the returns can be fantastic. This space is a fertile area for what I call catalytic philanthropy.

Catalytic philanthropy has the high-stakes feel of the private market but can transcend the key market limitations above: The investor doesn't need a share of the benefits—those go to poor people or sick people or society



34/

“ As Melinda and I became more involved, we found that some critically needed vaccines were just sitting on shelves while other vaccines were not being manufactured at all. ”

generally, all of whom stand to gain earth-shaking returns from the kind of innovations that business and government likely won't pursue unless philanthropy goes first. And once you've found a solution that works, catalytic philanthropy can harness political and market forces to get those innovations to the people who need them most.

That has been our foundation's approach in supporting research, manufacture and delivery of vaccines for childhood diseases. As Melinda and I became more involved, we found that some critically needed vaccines were just sitting on shelves while other vaccines were not being manufactured at all. For the first time in our lives we were

working in a world beyond the reach of market forces. Philanthropy's role is to get things started. We used foundation funds to set up a system to make market forces work in favor of the poor, guaranteeing purchases so drug companies could make a little bit of money or at least not lose their shirts. As the value of this approach became



35/

clearer, governments put in money to add to the market incentives, and some drug companies began to factor poor-world diseases into their business model. In both research and delivery, well-targeted philanthropic money triggered action from business and government. Since 2000 this catalytic philanthropy partnership has immunized more than 250 million

children and prevented more than 5 million deaths. We may even see a malaria vaccine in 2015. Melinda and I have the honor and the responsibility to return to society, in the best way we know how, the resources we have received. But you do not need to be the chair of a large foundation to have an impact on the world. Risk takers need backers. Good ideas

need evangelists. Forgotten communities need advocates. And whether your chief resource is volunteer time or hard-earned dollars, for a relatively small investment catalytic philanthropy can make a big impact. For me it's proven the best job in the world, as thrilling and humbling as anything I've ever done.



36/ international
agenda

The
Clinton Hunter
Development
Initiative

‘POVERTY
IS THE
WORST
FORM OF
VIOLENCE’

Ghandi

Internationally we have always taken a view
that whatever we do should be driven by the
Government's and agencies we work with locally.

President Kagame, Former President Clinton
and Sir Tom Hunter in Rwanda, July 2012

We don't believe in imposing our views, driving the agenda – after all would you like an outsider telling you what you should do based on minimal experience of your country?

But what we have always agreed upon with the Governments and partners we work with is that an integrated approach to development is what is required; health, education and economic development are all interdependent.

To that end historically we have funded health initiatives and education programmes trying at all times to ensure that these are sustainable and

ultimately self-sufficient. The final piece of the jigsaw for us then was economic development.

To understand our model we thought we'd focus on Rwanda. Our process there was simple – working with our partner, The Clinton Foundation (in our joint venture the Clinton Hunter Development Initiative "CHDI") and President Kagame's Rwandan Government we went about defining where a modest amount of funding may have the biggest impact.

We assessed import substitution and export enablement and alighted on two

crucial opportunities – food oil and value added coffee. Simply put Rwanda is a net importer of 98% + of its food oil and in coffee has one of the highest quality coffees in the world but sells at commodity price levels. Hence we decided we were in the food oil and coffee businesses applying the entrepreneurial skill sets that had made our Foundation money in the first place.

Our model was however different – here we would be in the business 'for profit' but return our share of profits back into local philanthropic investment.

38 / food oil processing business

The Clinton Hunter Development Initiative

Mount Meru of Tanzania have added not only capital but also significant sourcing expertise and construction capability. Crucial to delivering this business both from an economic and practical perspective has been the introduction of a trade investor.

Mount Meru Soyco Warehouses

And of course the CHDI Board set an ambitious target – we had to have local 'for profit' equity investors alongside us.

This \$20m business, including equity, and working capital, is already having a significant economic and social impact on Rwanda.

The plant will be commissioned in May 2013 and fully operational the following month.

The shareholding structure also ensures that Rwandese investors are well represented, indeed the Board is chaired by the chairman

of Caisse Social, the Rwandese social security para-statal.

In addition through the Memorandum and Articles of the business 10% of all profits are to be allocated by all shareholders to the common good – clearly all CHDI's profits will be reinvested in Rwanda, for the good of the Rwandese people via CHDI.

The business was incorporated in 2011 by CHDI, Mount Meru and Rwandan co-investor.

Mount Meru Soyco was established to accomplish a number of interwoven objectives:

• Address a major import substitution opportunity

• Create a fair and equitable market for farmers produce in soy and sunflower

• Drive agricultural development

• Contribute to the overall industrialization of Rwanda and provide opportunities for major spin-off commercial opportunities

Soybeans grow well in Rwanda but have not been widely adopted, primarily because of a lack of demand. Mount Meru Soyco will



The accommodation block starts to take shape



create that demand, and will buy more than 50,000 tonnes for both soybeans and sunflower at full capacity.

The new business procures soybeans through two channels:

• a large out grower program, in which approximately 30,000 farmers are contracted to grow soybeans for Mount Meru Soyco with input support and extension services provided by the business.

• Via a major contract awarded to the army offshoot, API to produce soybean and sunflower at large scale on 5000HA with 1000HA now planted out for this season alone.

Importantly through our co-investor Mount Meru

we are in turn providing a market now for Rwandan produce with Mount Meru buying soy and sunflower for their other factories. In turn Mount Meru can also acquire any surplus oil we produce for their other East African markets so we are well positioned for continual growth and production in as secure a manner as we can find.

The processing factory itself will employ around 120 staff but the factory's impact will extend well beyond that.

Our co-investor Mount Meru have studied the impact of a similar plant they constructed in Tanzania and they estimate 100 000 people were impacted on start-up and at full production one million people.

Lets hope we replicate this in Rwanda!

So with a bit of entrepreneurial thinking and a modest equity investment you can make a big difference and help the poorest of the poor earn a living, feed and educate their kids and ultimately start to pay taxes, thus in part help fund the infrastructure you need to deliver social services.

A small end to this start of a story. The day we moved on site two women started new businesses – one a mobile drinks service for construction workers on the site, the other a café with food for breaks. Happily they go from strength to strength and multiple more businesses are starting up in the area, slow growth but encouraging growth, to service this plant.

40/coffee roasting

The
Clinton Hunter
Development
Initiative

You may be unaware of it,
but in essence the least value
in the coffee market goes to the
farmer at the bottom of the chain
producing the coffee bean.

Rwandan farmers sorting Coffee Beans (RFCC)

Rwandan coffee is,
and you can ask any
Barista worth his or
her salt, amongst the
best in the world, yet
the farmers see little
of that value.

Working with our
friends in the Rwandan
Government and Comic
Relief we set about a
plan to change all that
by placing the added
value mechanism in the
hands of the farmers.

So we set about adding
value to the Coffee
sector in Rwanda by
retaining as much value
in-country hence CHDI
along with the National
Agriculture Export Board
(NAEB) are in the process

of initiating the start-
up of a coffee roasting
business in Kigali.

In essence the aims
and objectives are very
straight forward:

- Secure significantly
more value for Rwanda
and its farmers in the
overall supply chain
- Further contribute to
Rwanda's international
reputation for high
quality coffee
- Provide a guaranteed
and fair market for
Rwanda's coffee growers
- Enable Rwandan
coffee growers via
their cooperatives to

ultimately own our
equity in the business

• Create and extend
an RFCC international
coffee brand

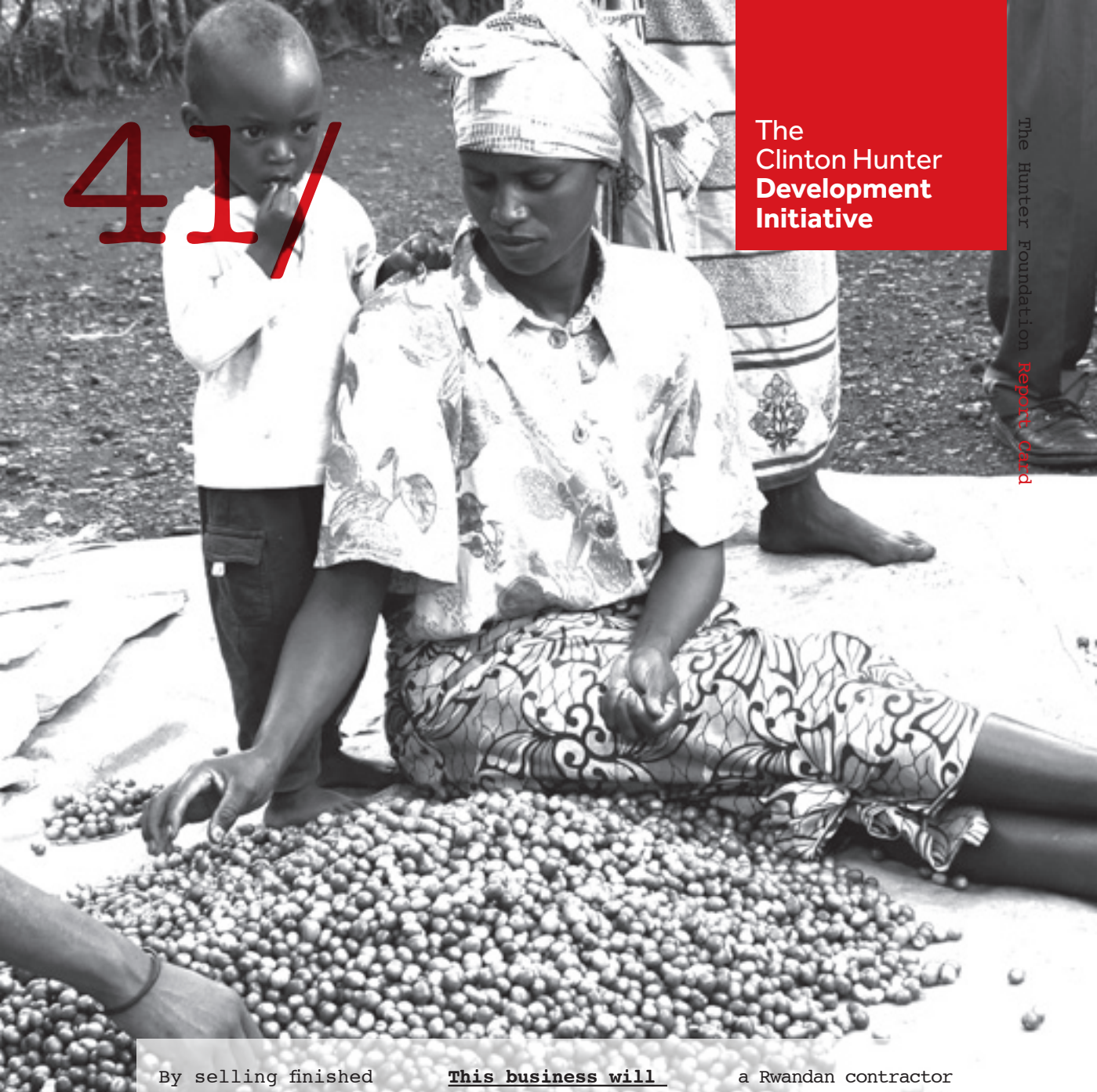
The Rwandan Farmers
Coffee Company (RFCC)
is working to build
a coffee roasting and
packaging facility
in Kigali to produce
finished product for
sale in local, regional
and overseas markets.

The factory will
have the capacity to
process 3,000 tons
of coffee every year,
equivalent to the
production from an
estimated 50,000
coffee farmers.

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The Clinton Hunter Development Initiative

The Hunter Foundation Report Card



By selling finished product coffee products, the business will provide higher incomes to farmers and cushion them from fluctuations in coffee prices that are endemic in the commodity segment of the coffee trade.

This business will produce a retail- ready product of the highest-quality Rwandan coffee and will directly employ 40 staff.

The Coffee Roasting Factory has been designed and the construction contract awarded to

a Rwandan contractor from a shortlist of three bidders and the construction programme is now underway with the aim of completing construction in 2013. Potential customers please email us at

**RFCC@
thehunterfoundation.com**

42/ a green revolution in Africa

The Clinton Hunter Development Initiative

In 2010, CHDI partnered with the Alliance for a Green Revolution in Africa (AGRA) to scale up soy inputs provision to 20,000 farmers across Rwanda over three years.



CHDI – Agra Farmers

The initial phase of the project initiated in 2010 ran trials on different varieties of soybeans under different input levels, and the best performing combination of seeds and inputs were chosen by farmers for scale up in 2011.

Under the program, a Rwandan research institute that produces inoculums – an organic culture that encourages soybeans to fix more nitrogen and reduce fertilizer needs by 50 percent – has been rehabilitated to once again provide the

valuable input to farmers. 12,000 farmers under the Agra project have been involved in soybean growing by using modern techniques making increased profits by getting better yields and sustaining their income generation.

The Clinton Hunter Development Initiative

43/ethel mutharika maternity hospital

A few years ago our Founders visited what was known as Bottom Hospital in Lilongwe, Malawi the main maternity hospital serving 1000 mothers per month.

Lord McConnell & Sir Tom being shown round the new hospital by Dr. Tarek Meguid.

The infant and maternal mortality rates were appalling and a cupboard was opened to show small bundles of dead babies - it was truly shocking, disturbing and deeply inhumane. Mothers gave birth on floors and the one doctor struggled to stay sane so, alongside some special partners, we decided to do something about it.

Today through a unique partnership with ourselves, the Clinton Foundation, the Government of Malawi, the Children's

Investment Fund Foundation (CIFF), STV Malawi Appeal and Mum's Meals a new hospital is fully operational. To watch the full story from its inhumane start to its inspirational conclusion www.tinyurl.com/d9o7zy5 thanks to Scottish Television.

It is said this is the only hospital in sub-saharan Africa where a mother can give birth in private without paying for the privilege. If that's true we are both proud

and appalled; as I'm sure you are.

The 220 bed facility was formally opened by President Mutharika and has 220 beds, 6 wards, a nursery wing, 11 labour wards, a post-natal ward, ante-natal ward and a private fee paying ward (whose funds go towards subsidising the overall facility).

The Hospital was built on time and on budget and handed over to the Malawian Government who manage and fund its continued operation.

44/ notes

45/notes

46/ notes

Thanks to the
Gates Foundation
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The Hunter Foundation

www.thehunterfoundation.co.uk

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thank you...

To those that have inspired, mentored and coached us,
Vartan in particular along this philanthropic journey.

Thanks

To the variety of
partners who deliver,
day in day out,
tirelessly on behalf of
the people we aim to
help

Thanks

To our small dedicated
team, Julie-Ann and
Jacqueline who make
this all possible

Thanks

This is a bigger buzz
than any commercial
deal we've ever done

Big thanks from
Tom and Marion