

Charity Registration No. 1053988

Company Registration No. 2863827 (England and Wales)

CLIENTEARTH
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

CLIENTEARTH

LEGAL AND ADMINISTRATIVE INFORMATION

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|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Trustees | W McIntosh H Covington G Stratenwerth F Beinecke S Butler-Sloss B Eno D Greenberg S Hockman P Joubert M Robert F Serfaty Sir Martin Smith S Medina Gomez (Appointed 9 November 2017) |
| Secretary | BWB Secretarial Limited |
| Charity number | 1053988 |
| Company number | 2863827 |
| Principal address | The Hothouse 274 Richmond Road London E8 3QW |
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CLIENTEARTH

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CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The trustees (who are also the directors of ClientEarth for the purposes of company law) present their report and accounts for the period ended 31 December 2017. 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 applicable in the UK and Republic of Ireland published on 16 July 2014 (as amended by Update Bulletin 1 published on 2 February 2016).

Who we are and what we do

In 2017 ClientEarth reached its tenth year of using the law to protect people and the planet in Europe and beyond.

The power of the law

Law captures a society's values. The rules we agree to live by have enormous power when strategically deployed. Yet the interests of people and the environment are systematically under-represented in the forums of power. When used well, law has the power to create a level playing field between the interests of governments and companies, with people and the living world.

Our vision and mission

Our vision is a world that is protected by robust laws, where people and nature thrive together. Our mission is to use the law to protect people and planet.

What we do

We use the law to:

- Combat climate change and pollution
- Secure peoples' environmental rights
- Protect and restore habitats, wildlife and natural resources

We do this by driving strong action from governments; shifting financial flows; changing markets, trade and business practices; and empowering citizens and communities. We apply our expertise in EU law, international law, common, and civil law for public good, where it can achieve the most impact.

Our values

In delivering our mission, we value:

- Agility - The freedom, nimbleness and drive to seize strategic opportunities
- Boldness - The audacity, passion and conviction to challenge the status quo and take risks
- Creativity - The ability to innovate, learn and collaborate to find solutions

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Where we work

We work internationally, with programmes in Europe, including Central and Eastern Europe, China and Central and West Africa.

The Lifecycle of the Law

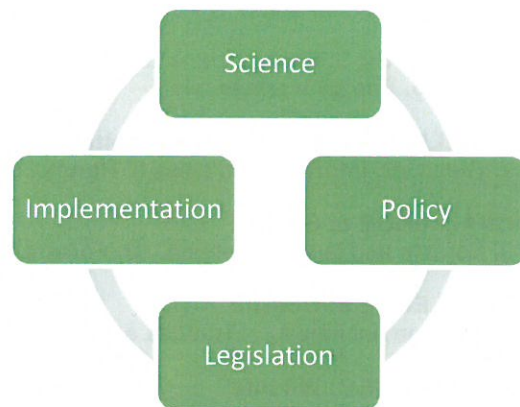
Science We need to know what the science is saying and pay attention as science evolves.

Policy We advocate for the integration of science into policy, which also takes account of economics, politics and culture.

Legislation We help write laws that turn policy into enforceable rules. We ensure that regulated industries understand and agree to be bound by the law and the timelines, and that citizens have provisions to go to court if the law is violated.

Implementation We make sure that laws are properly applied by the government bodies charged with making them work.

Enforcement We build a culture of compliance with environmental law.



Programme strategy

Global Challenges

In the development of our five-year strategy in 2017, we have taken a step back and scanned the horizon for issues and opportunities that will affect the health of the planet. We have then applied our strategic criteria to prioritise our programmatic focus for 2017 to 2021.

1. **Importance** There is significant environmental damage or harm to human health (or risk of).
2. **Leverage** We can directly address the problem, advance solutions, or create systemic change.
3. **Venue** One or more fertile venues or geographies is available where we can act.
4. **Space** We can bring a distinctive approach, perspective and expertise to the field.
5. **Impact** We have a fair prospect of success, building momentum, and enabling future action.
6. **Resources** Funding can be secured, and we have the institutional capacity to deliver.
7. **Reputation** The work will enhance the profile of our organisation.

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For the period 2017 to 2021 we have identified seven urgent global environmental challenges and organised our work according to 14 signature initiatives:

CHALLENGE 1: Rule of law

1. Justice and governance, 2. International trade

CHALLENGE 2: Climate and the Paris agreement

3. Climate accountability 4. Climate finance

CHALLENGE 3: Energy transition

5. Coal 6. Energy markets

CHALLENGE 4: Pollution and health

7. Clean air, transport and cities 8. Harmful chemicals

CHALLENGE 5: Forests

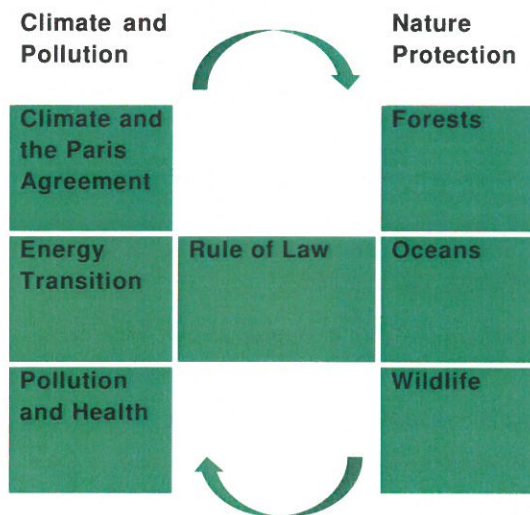
9. Forests and land conversion. 10. Forests and trade

CHALLENGE 6: Oceans

11. Marine habitats 12. Fisheries and seafood

CHALLENGE 7: Wildlife

13. Wildlife and habitat loss 14. Agriculture and soil



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Guide to reading this report: Transition to new Five Year Strategy

2017 is the first year of our new five-year strategy. This trustees' annual report provides a review against the seven global challenges identified in the five year strategy. However, the accounts for 2017 follow the existing programme structure. In 2018, the accounts will follow the global challenge structure.

By way of guidance to readers of the narrative on the programme for 2017, the accounts map against the global challenges and initiatives as follows:

| Programme | Projects | Global Challenge |
|-----------------------|------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Environmental Justice | China EU environmental democracy International trade | Rule of law |
| Climate & Energy | Poland Energy EU Energy Policy | Energy transition |
| Strategic Litigation | Clean Air EU Energy and Coal Company and Financial Climate Accountability | Pollution & health Energy transition Climate & the Paris Agreement |
| Climate & Forests | | Forests |
| Biodiversity | Harmful chemicals (toxics) Fisheries Sustainable Seafood Wildlife | Pollution & health Oceans Wildlife |

Public benefit

The charity has had regard to the Charity Commission's guidance on public benefit. The main aim of the charity is to promote the protection of the environment to the benefit of broad sections of the public where the charity operates, and on a global basis, for current and future generations. The public benefit of the charity includes:

- The protection of wild places, wildlife and forests in the EU and internationally with a particular focus on the UK, Poland, and Central and West Africa.
- The protection of public health and the environment from unhealthy levels of air pollution and exposure to toxic chemicals in the EU.
- The reduction of greenhouse gas emissions contributing to dangerous global climate change through the transformation of energy markets and financial systems.
- Gains in access to information, public participation and access to justice in environmental matters benefit wide sections of the public concerned about the environment and civil society in particular environmental non-governmental organisations (NGOs).
The research, analysis and legal advice distributed widely and free of charge by the charity benefits concerned citizens, civil society and other actors.

Our public benefit is further illustrated in this report through the Objectives and Activities, Achievements and Performance sections of this report.

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Achievements and performance

Diesel action across Europe

Cases by ClientEarth and our partner have prompted a wave of announcements in the UK, Germany, France and elsewhere to phase out diesel and petrol vehicles between 2025 and 2040. In Germany legal successes with our partner organisation resulted in courts ordering restrictions on the most polluting diesel vehicles in Düsseldorf, Munich and Stuttgart.

Clean air zones across the UK and across Europe

The UK's new air quality plan includes a framework for clean air zones, considered to be the most effective tool to reduce pollution levels, but still fails to move fast enough in some places. Clean air zones were set out by the Scottish Government, and Oxford unveiled plans for a zero emissions zone, while in London, the 'T-charge' (emissions surcharge) on polluting vehicles came into force. We also had success with our 'Poisoned Playgrounds' campaign which won backing from political figures including London's Mayor and saw Sheffield council announcing fines for vehicles idling outside schools. Across Europe, our legal actions prompted authorities to work on a new air quality plans in France and in the Lombardy region in Italy.

Better access to justice

We won our UK general election 'purdah' timing case after ministers sought to delay the UK air quality plan for political reasons. We had joint success with the RSPB and Friends of the Earth in our High Court case to stop increased court costs for environmental cases in England and Wales. Our complaint to the UN body, the Aarhus committee, about lack of access to justice on the environment in the EU was upheld by the compliance committee. EU ministers are finalising a formal request to the European Commission to propose legislation to bring the EU into compliance. Our emissions regulation 'Dieselgate' case against the European Commission is ongoing.

Ban on logging in Białowieża

Pressure mounted on the Polish Government to halt its plans to treble logging in precious Białowieża Forest. UNESCO delegates called for a halt to logging and ClientEarth launched a campaign to save the forest. Our legal strategy resulted in an interim ban on logging, issued by the European Court, and in an unprecedented move, the European Commission pushed for the possibility to fine Poland for failure to respect the ban.

Environmental law and judicial capacity in China

Of the 10,000 challenges brought by public prosecutors and Chinese NGOs in the last two years, 90% of cases have been settled out of court. ClientEarth has helped to build the foundations for this environmental public interest compliance and enforcement by shaping the law and its judicial interpretations, as well as training over 250 Chinese Supreme Court judges and prosecutors. In 2017 ClientEarth was one of the first foreign environmental NGOs in 2017 to be officially recognised by the Chinese Government.

Increasing challenges to permits and subsidies for coal in Europe

In Spain, a court ruled that the regional government's permit for a coal power plant was illegal after a challenge from our partners IIDMA, and a complaint to the European Commission was also launched by IIDMA over unlawful State aid for Spanish power plants. We launched a State aid complaint regarding Bulgarian coal plants and challenged permits for coal power plants in Greece and Italy.

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Climate risk reporting by energy giants

Sustained pressure on fossil fuel majors and companies over the failure to properly report climate risk has continued. Our complaints to the Financial Reporting Council (FRC) regarding oil & gas companies Soco and Cairn Energy prompted better climate risk reporting by both companies. Our letters to BP and Glencore warned of the risk of lawsuits based on bullish statements about future fossil fuel demand.

Harmful chemical use in the EU challenged

ClientEarth challenged the European Commission's decision to authorise continued use of several harmful chemicals, despite alternatives being available. Major changes have already been made to improve decision-making on such authorisations while the court cases continue. We also helped the European Parliament defeat the Commission's attempts to push through weak criteria to define endocrine disrupting chemicals (EDCs), which would have undermined pesticides law.

Civil society engaged in forest law reform

We continued to support civil society to inform forest law reforms in Ghana, Gabon, Ivory Coast, Liberia, and the Republic of Congo. In Ghana, we worked with civil society and other stakeholders to pass a new regulation that will help stop illegal deforestation and reduce the sale of illegal timber by improving rules and procedures for issuing logging permits, as well as ensuring that local communities benefit from logging in their areas, and increasing rights to access information. In the Republic of Congo we supported civil society to make recommendations on community forestry laws, some of which have been reflected in the new draft Forest Code.

Improved operation of timber regulation

We continued to advocate for more effective compliance with and enforcement of the EU Timber Regulation (EUTR) – which seeks to restrict trade of illegal timber to the EU. We sent a complaint to the European Commission regarding the low level of EUTR checks in Belgium, and the Commission began legal proceedings against Belgium in October - the first time the Commission has done so for any Member State for not adequately enforcing the EUTR. This ongoing legal action sends a clear signal to all Member States to enforce the EUTR properly.

Commitment to sustainable seafood

The Sustainable Seafood Coalition (SSC) continued to attract new members, including the UK's largest food service provider, and a study showed that the SSC codes have had a real impact on the clear, consistent and meaningful labelling of seafood products in UK supermarkets. Meanwhile, we have expanded our approach to Spain, the EU's most powerful fishing nation.

Investor protections face court test

We continued to challenge the use of investor-state dispute settlement (ISDS) in EU trade agreements on a trade deal that would undermine European environmental protections. Working with the Belgian region of Wallonia, ClientEarth helped secure a referral to the European Court of Justice to ensure the legality of the EU's approach will be tested in the context of its deal with Canada.

Moving fiduciary duty from theory to practice

Over 2016 to 2017 we provided legal advice to over 50 pension fund members and launched legal strategies against over 100 pension funds in the UK about how climate risk is factored into pensions.

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Global Challenges

Rule of Law

1. Justice and Governance

Environmental democracy in the EU

Objective: Drive implementation and enforcement of the Aarhus principles across the EU

We want to level the playing field between civil society, decision-makers and industry by ensuring implementation and enforcement of the Aarhus Convention principles in the EU and Member States.

The EU and Member States are signatories to the Aarhus Convention, which is designed to empower citizens with the right to access environmental information, participate in decision-making, and access courts to challenge the violation of environmental law. Despite its world-leading status, the Aarhus Convention is not respected in the day-to-day functioning of the EU or most of the Member States.

We build awareness of the Aarhus Convention and the rights it confers and strengthen the capacity of the NGO community in exercising these rights. For example, we support access to information requests and litigation to ensure enforcement of the Convention's provisions.

Enforcement of the Aarhus principles: The Aarhus Convention Compliance Committee (ACCC) found the EU in violation of access to justice provisions in the Convention. In 2017 we scaled up advocacy with EU institutions, contributing to the Council of the EU rejecting the European Commission's proposal to discard the findings of the ACCC. The Council of the EU is preparing a formal request to the EC to propose new legislation to bring the EU into compliance with the ACCC findings, which will be the first time this mechanism (Article 241) is used.

Access to justice: We have brought three new test cases before the EU courts to challenge the lack of standing for NGOs, calling for this to be recognised as a breach of the access to justice provisions of the Convention. Partner NGOs would not have taken these matters to court if we had not initiated the action.

Access to information: We lodged complaints to the European Ombudsman, challenging the EC's decision to refuse access to information related to chemicals and fisheries. The information released shows that, for example, the Fisheries TAC Regulation does not comply with the EU's obligation to set fishing quotas at sustainable levels. This paves the way for other NGOs to participate in national and EU decision-making.

During 2018 we will encourage the Council of the EU and European Parliament to increase pressure on the Commission to bring about compliance with access to justice provisions. We will also use EU LIFE funding to increase awareness and understanding among the legal community and public in general about access to justice rights. We will also continue to scrutinise the decision-making process of EU institutions on fisheries, toxics, clean air and trade to enhance transparency.

Justice and governance in China

Objective: Facilitate robust systems for environmental justice and governance in China.

We want the Chinese government to put in place robust systems for environmental justice and governance that spread to the developing world and ensure industrial compliance.

China is the world's largest emitter of greenhouse gases and has severe air pollution problems. Chinese activities are also linked to global environmental problems, such as illegal wildlife trade, overfishing, and deforestation. While the Chinese government is revamping its system of environmental governance, the departments responsible are overburdened and sometimes face resistance from vested interests. Although the Supreme People's Court (SPC) has now established specialized environmental courts, they have limited experience in environmental issues. The country's prosecutors are now allowed to challenge

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government departments that violate environmental laws, but they too have little experience with this. Finally, NGOs lack financial resources and qualified staff required to challenge violations of the law. ClientEarth has been invited to support the government to deliver on their goals.

Quality of laws: During 2017 we helped shape permitting requirements for power plants and revisions to the Water Pollution Prevention Law. This resulted in rules that will hold senior industry managers personally accountable for falsifying data.

Capacity-building judiciary: We cooperated with the SPC to conduct training for 130 environmental judges, a two-month overseas fellowship for five judges and the exchange of experience with 20 international environmental law experts. We also supported the SPC and the SPP in the development of judicial interpretations that favour public and environmental interests over those of polluters. Our capacity building supported the development of the legally binding 2017 Judicial Interpretation on Compensation on Ocean Nature Resources, which instructs judges on how to apply the law.

Environmental public supervision: Lastly, we assisted local governments in the development of an environmental information disclosure methodology, which will be used by government to assess and improve performance in this regard, and aided the establishment of a Friend to Court Fund which will finance technical assessments done by courts, reducing the burden on NGOs.

In 2018 we continue to enhance the quality of environmental laws and regulations, including the new environmental permitting system. We will also support the development of mandatory environmental disclosure regulations for stock-listed companies. We will build the capacity of around 300 Chinese judges and prosecutors and help to develop a training curriculum for all environmental judges. We will also establish a new special fund to support NGOs to better participate in environmental governance

2. International Trade

European trade agreements

Objective: Redress the balance between business and environmental protection

We want to make trade work for the public and the environment, not just for economic gain.

International trade agreements often favour the interests of investors over public and environmental interests. We work to redress the balance in major trade agreements and ensure that dispute resolution mechanisms are transparent and fair.

The EU uses the Investor State Dispute Settlement (ISDS) process to remove disputes from the jurisdiction of the courts of the Member States. This tool enables foreign investors to put pressure on public interest measures, and to bypass the domestic court system. Yet the tool is not available to citizens or domestic investors.

Legality of the ISDS: We believe this may be illegal under EU law. During 2017 ClientEarth, together with its NGO partners, persuaded the Belgian government to request an opinion of the European Court of Justice (ECJ) on the compatibility of ISDS with the EU's judicial system. We also worked to ensure that the European Parliament would not defend the investment court system in that procedure. A negative opinion from the ECJ would end ISDS as we know it in Europe.

Public interest lobbying: ClientEarth is the only EU-based environmental law organisation using legal levers to promote public interest in the interpretation of EU trade negotiation texts, and to use these to initiate regulatory action. The European Commission has embarked upon a new project to replace ISDS with the Multilateral Investment Court (MIC). We will advocate for the inclusion of public interest considerations in any reform of the ISDS, including third-party access to a court, state-to-state dispute settlement, and conditions that ensure polluting investments cannot result in claims before the MIC.

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Capacity-building NGOs: We also extend our knowledge to support other NGOs, for example, we are working with Romanian NGOs in their struggle to be heard before an ISDS tribunal where the Romanian state is being challenged by a Canadian investor over the blocking of the largest gold mine, Rosia Montana in Europe.

In 2018 we will examine opportunities to challenge use of ISDS against the public interest following the ECJ's ground-breaking judgment in *Achmea* where it found that ISDS is incompatible with EU law in an investment agreement between EU Member States. We will advocate meaningful reform in the context of discussions on ISDS reform before UNCITRAL (a UN body tasked with the reform process). We will also continue our legal advice to other NGOs faced with ISDS cases and other trade law related questions, in particular in the Rosia Montana case. Finally, we will advocate reform of the EU's trade policy as members of the EU Commission's trade expert group.

Brexit and beyond

Objective: Ensure the UK's exit from the European Union has no negative effects on the environment

We want to ensure that the UK has strong laws, powerful oversight bodies and a more positive vision of nature's place in our society, and that Brexit does not have negative effects on UK environmental law.

Over the past 40 years, environmental law and governance in the UK have become deeply entwined with EU processes and institutions. Post-Brexit, environmental law in the UK will be exposed to pressures from forces opposing the continuation of the global best practice found in EU environment law. As such, the UK's exit from the European Union is the biggest and most urgent threat facing the UK's natural environment today. The environmental community is united in the Greener UK coalition and through its networks such as Wildlife and Countryside Link in an unprecedented effort set the UK on a course towards restoring nature and creating a healthy environment.

Retain environmental legislation: The immediate threat is the EU (Withdrawal) Bill (EUWB). We want to see the EUWB amended to ensure that neither the UK environment nor the UK legal system is weakened as a result of the UK leaving the EU. Amendments supported by Greener UK (many drafted by ClientEarth) received cross-party support, with ClientEarth mentioned six times in the debate on the environment and the EUWB. Prominent MP Dominic Grieve is now supporting the call by ClientEarth and Greener UK to protect the future status of environmental law ('retained EU law').

Enforcement of environmental law: We identified a looming governance gap and worked with key partners to articulate and publicise this problem. Cross-party MPs and the Secretary of State for the environment Michael Gove have now recognised the problem, and the government announced a consultation on a new environmental accountability body to replace the role of EU institutions.

Robust new environmental legislation: Once the EUWB has been agreed, we want to support the UK in creative and robust thinking, so that new interim and permanent laws, structures and mechanisms ensure that the natural world is better protected than ever before and that people enjoy a healthy environment. We contributed to discussions on the future role of environmental principles in UK law, informing development of the UK government position.

In 2018 we will continue advocacy in the Lords on the EUWB to ensure the bill maintains the full body of EU environmental law. We also expect a public consultation on a new environmental accountability institution and on enshrining environmental principles in UK law. We will also support calls for ambitious legal architecture to protect the environment across the UK.

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Climate and the Paris Agreement

3. Climate accountability

Objective: Drive governments and private actors to establish laws, plans and policies in line with the Paris Agreement goals

We want governments to establish national and regional climate laws, plans, policies and targets that are in line with the goals of the Paris Agreement, and to embed these into all levels of decision-making. We also want corporate climate reporting to be mandatory, and carbon majors to be at risk for liability due to their contribution to climate change.

Mitigating GHG emissions, consistent with the Paris Agreement temperature goal, is a major challenge facing society today, and is necessary to avoid catastrophic harm to the environment and populations around the globe. Achieving this is dependent on a fundamental transformation in the global economy away from a reliance on fossil fuels, towards a low-carbon economy.

For many governments, the economic and political incentives, and legal obligations, to reduce GHG emissions in line with scientific advice are weak. Action to reduce emissions is discouraged by the negative influence of industry lobbying on legislative processes, which threaten to water down national commitments. Most companies do not acknowledge that they have any legal obligations in relation to climate change, either due to historical emissions or current business strategy.

Climate change laws: At EU level, we worked on the EU Governance Regulation to ensure the right of public participation is guaranteed when EU member states commit to plans and strategies to tackle climate change and to transition their energy systems. In the UK, we monitored the UK government's progress towards preparing plans in line with the fourth and fifth carbon budgets under the Climate Change Act, and assessed the Clean Growth Strategy when it was published in October 2017. We continued to contribute to the emerging field of climate litigation – with a particular focus in 2017 on raising the profile of event attribution science and its implications for climate litigation and liability. We co-authored an article in *Nature Geoscience* that discusses how climate attribution science is relevant to legal risk and can be used as evidence in climate change litigation, which received significant attention.

Corporate transparency of climate risk: During 2017 we saw the results of our 2016 complaints to the Financial Reporting Council (FRC) regarding non-disclosure of climate risk by energy giants SOCO International and Cairn Energy. Both companies made substantially improved disclosures in their annual reports, and the FRC subsequently released a revised draft Guidance on the Strategic Report that makes explicit reference to climate related risk. We wrote letters to BP and Glencore, warning of the risk of investor lawsuits based on their bullish statements about future fossil fuel demand. We also gave in person evidence on our amicus brief to the Philippines Commission on Human Rights in November at the COP23.

The FRC have invited ClientEarth to participate in its audit law reform process, following our publication of a paper setting out the legal duty of auditors to consider climate risk when providing financial reporting advice to their clients. We have also been asked to join a World Business Council for Sustainable Development working group on accounting and climate risk.

We have been active in contributing to the landmark Task Force on Climate-related Financial Disclosures (TCFD). Our recommendations are being incorporated into the advice of the Green Finance Taskforce (of which we are a member). In the UK, we have been invited to submit evidence to the cross-party Environmental Audit Committee at the House of Commons on the TCFD and other green finance-related issues. This work will directly affect UK listed companies and have global influence due to the UK's position as a global financial centre. These achievements put ClientEarth at the centre of the UK financial law reform process with respect to climate risk.

In 2018 we will help drive countries towards better implementing legislation, setting clear emissions targets in line with Paris obligations. We will advocate for the implementation of TCFD recommendations and push for increased regulatory oversight of climate risk, to be managed by regulation and investor scrutiny.

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4. Climate Finance

Objective: Ensure financial flows are consistent with the Paris Agreement

We want financial institutions to recognise climate risk as a material financial risk to portfolios, and for financial flows to be consistent with the Paris Agreement, reaching net zero emissions by 2050.

Companies that engage in carbon intensive activities do so using capital raised from the financial sector. In order to achieve the Paris goals, it is vital that we re-orientate capital away from companies who continue to invest in high carbon infrastructure and projects, and towards those that do not. However, climate risk is not yet treated as a material financial risk by the vast majority of financial institutions.

The Geneva Association reported that 62% of insurance executives still do not consider climate change a core business issue or have not established teams to assess climate risk and opportunities. Only 22 of 77 large pension funds surveyed by the OECD make green investments and these are typically 0.1-1.5% of Assets Under Management. We work with investors, insurers and banks on the recognition of material climate risk to portfolios and encourage institutions to reflect this risk in financing decisions, and the organisation's existing governance and risk management processes.

Management of climate risk by pension funds: We published comprehensive industry guidance on managing climate risk to pensions' portfolios, with the UK's main industry body, the Pensions and Lifetime Savings Association. We also submitted a referral to the Pensions Regulator (TPR) and the Department of Communities and Local Government (DCLG) about widespread misconceptions held by the pensions industry on legal duties to address climate risk, with a particular focus on 89 Local Government Pension Schemes. This contributed to the amendment of at least 12 Local Government Pension Scheme Investment Strategy Statements, which now refer to climate risk. We have worked with asset owners and managers to raise awareness about their legal and fiduciary duties with respect to climate change.

Accountable financial system: In 2017, we put the weight of the law behind the member engagement work carried out by campaign groups such as ShareAction, Friends of the Earth, Community Reinvest and 350.org. We did so by drafting legal letters on behalf of members and submitting a referral to the Pensions Regulator regarding misconceptions held by the industry on duties to manage climate risk.

During 2018 we want to increase the European pension funds reporting climate risk and see more public statements from investors, banks and insurers acknowledging that climate change is a material risk to their businesses. We will also work towards increasing the number of AAA rated financial institutions in the AODP Global Climate 500 Index. We also want to see UK and EU financial regulators taking a more proactive stance on reporting of climate risk.

Energy Transition

5. Coal

Objective: Secure a rapid, well-managed and just coal phase-out across Europe

We want a rapid, well-managed and just coal phase-out across Europe by 2030 and beyond, with the closure of coal plants accelerated, no new plants constructed in Europe.

Within the power sector, coal is by far the most intensive greenhouse gas emitter. It is also a major contributor to air pollution, particularly when plants are located near cities and other heavily populated areas, as well as other forms of pollution and environmental damage. To align with the Paris Agreement, all members of the OECD must close unabated coal power plants by around 2030 and no new plants should be built.

In Europe, there is 184 GW of coal generation capacity currently in operation in 28 countries, with another 86 GW planned for construction. Only seven EU member States have 2030 coal phase-out policies, and new coal is still being financed in countries such as Poland, Germany and Greece.

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We are working with international and local partners to ensure strong environmental standards apply to coal, to end public and private finance to invest in coal, and promote a just transition from coal to clean energy.

Coal phase-out commitments: 2017 saw increasing commitments to coal phase out. Denmark, Italy and the Netherlands announced plans for coal phase-out, and France brought its coal phase-out forward to 2022. More than ten European coal-fired units had specific retirement dates announced in 2017, and the European Commission recently opened its own investigation into unlawful State aid to the Spanish coal fleet. Progressive companies including Iberdrola and ENEL have announced plans to close several remaining plants by 2020.

Compliance with regulation: In the context of coal plant permitting, legal action is leading to decisions that increase compliance with environmental law, access to information and public participation requirements. For example, our partners obtained annulment of a Spanish coal plant permit forcing the authority to re-examine the permit and re-issue it with stricter emission standards. In other cases, in Spain and Bulgaria, we have compelled the authorities to increase transparency and compliance with their Aarhus obligations by publishing environmental information that they previously attempted to keep secret.

Legal framework: We successfully advocated for the adoption of stricter EU-wide pollution standards for power plants (BAT conclusions). EU Member States collectively adopted this by the narrowest of margins. We helped persuade the UK government to vote in favour of this important measure that ensures the EU has sound environmental standards for highly polluting coal plants.

Scrutiny of coal subsidies: We filed three unlawful / misused State aid complaints with the European Commission, concerning subsidies for coal plants in Spain and Bulgaria. Two of these are now being investigated by the Commission.

In 2018 we will work to increase commitments by governments and companies to phase out coal and reduce subsidies. We will also increase compliance by coal operators and permitting authorities with their legal obligations. In addition, we will seek increased scrutiny by the European Commission of public financial support for coal by national governments.

6. Energy Markets

Objective: Put Europe on track for a transition to a sustainable energy system

We want Europe to have an efficient, clean, flexible and competitive energy system, where public and private financing support the transition to clean energy.

Fossil fuel combustion comprises over 50% of all greenhouse gas emissions. The Paris Agreement therefore requires a significant transition from fossil fuel-based energy supplies to cleaner ones. Energy markets, however, are often unsuited to the required transition to clean energy, with the EU a notable example of the barriers preventing the creation of green energy markets.

EU energy markets are distorted and not open to efficient, flexible, clean and decentralised technologies; large market players are still able to dominate and erect barriers for the market entry of renewables and decentralised energy production. Clean energy solutions are also not funded or prioritised over carbon intensive generation and energy markets do not encourage consumer participation. Much of this is underpinned by complex and poorly implemented legislation.

We seek to address these barriers by improving the quality of legal and policy frameworks, increasing compliance with existing and new regulatory requirements, increasing the accountability of authorities in decision-making, increasing the scrutiny of financing and market distortions which favour carbon intensive energy, and increasing the participation of citizens and NGOs in the decision-making process.

Strong legal frameworks: During 2017, we presented amendments on various Regulations and Directives that form part of the EU's Winter Package of new climate and energy legislation. We successfully

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advocated for amendments to the Governance Regulation which will ensure a stronger legal framework for public participation, call for strong national energy and climate plans holding Member States accountable for their actions in these fields. We also actively participated in the advocacy efforts on the revision of the Renewables Directive, in particular with regard to energy communities. The majority of these amendments were included in the final position of the European Parliament which will now be debated in the Council. The Winter Package will continue through the EU legislative process in 2018.

Accountability in decision-making: Members of the European Parliament and the Council have also tabled our amendments on the: Energy Market Regulation - the need for supervision of Regional Operational Centres (ROCs); Electricity Market Regulation - community energy, self-generation, active customers, and distribution grids; ACER Regulation - enhancing the independence and resources of ACER to render its decision-making more transparent and participative; and Renewables Directive - community energy and self-generation.

Scrutiny of financing for carbon-intensive resources: ClientEarth contributed to the final design of the recently adopted capacity market in Poland, which promotes low carbon resources over coal-fired power plants. In particular, the scheme will grant aid for units emitting no more than 450g CO₂/kWh for a longer period of time, will be fully open to foreign capacities, including active customers from the neighbouring Member States, and will treat Demand Side Response fairly equally as compared with generation units (in particular, multiannual capacity agreements for DSR units are possible).

During 2018 we will seek the Council's support for our amendments to the EU's Winter Package and for adoption in the final legal text of the Winter Package (expected end 2018 or beginning 2019). We will also monitor barriers to greener energy markets and subsidy decisions to support carbon-intensive investments where State aid may be unlawful. Finally, we help to ensure that citizens and local and regional actors are better informed about their rights to participate in decision-making processes, particularly in relation to community and citizen-led energy.

Pollution and health

7. Clean air, transport and cities

Objective: Drive compliance with air quality laws in all major European cities

We want governments to produce adequate air quality plans and to adopt enforceable legislation to reduce pollutants and GHG emissions from highly polluting sectors.

Air pollution is the world's top environmental health risk and has been linked to 6.5 million global premature deaths in 2012 alone and more than 400,000 early deaths annually in Europe. The majority of EU countries fail to meet legal air quality standards, meaning most urban populations in the EU are exposed to levels of pollution in excess of World Health Organisation (WHO) guideline levels. Air pollution also contributes to climate change, since the main sources of pollutants harmful to human health (transport, domestic heating, industry, energy) are also major emitters of greenhouse gases.

Air pollution is becoming an increasing priority for governments in Europe. Nevertheless, there remains a lack of political will to invest financial and political capital in the necessary solutions. This is due to low levels of public awareness and understanding, the disproportionate influence of obstructive industry sectors on national and EU legislators and regulators, and undue focus on the costs of mitigation measures compared to the long-term benefits of better air quality.

We address these barriers by increasing pressure on governments to produce plans and programmes that achieve urgent compliance with air quality standards; increase political will to adopt effective and enforceable legislation that reflects the impacts of air pollution increase public awareness of air pollution and engender demand for action; and catalyse action on air pollution among key influences e.g. NGOs and industry.

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Compliance with air quality standards: In 2016 we won our High Court case against the Government over its failure to tackle illegal air pollution across the UK (ClientEarth2). Following this success, a new air quality plan was published in the UK, including a framework for clean air zones. In Germany, legal successes carried out by ClientEarth and partners resulted in court orders requiring cities to prepare new plans including proposals for diesel restrictions in Düsseldorf, Munich and Stuttgart. Further legal actions in Italy and France meant that authorities must adopt new air quality plans also in the Lombardy region of Italy and in 16 cities and regions, including Paris, across France. ClientEarth's strategic advice to a local partner was key in relation to the Czech Supreme Court's decision to quash the Ostrava air quality plan – the first judgment of this type before a national court in Central and Eastern Europe.

Political salience: Our litigation campaign contributed to government announcements and/or court orders to restrict circulation of diesel vehicles, leading to a reduction in sales of new diesel cars across Europe. Sales of new diesel cars dropped in Europe in 2017 amid concerns about local driving restrictions. Demand for diesel vehicles in the UK went down -17% year-on-year, while demand for Alternatively Fuelled Vehicle (AFV) hit a record high 34.8% uplift. Similarly, sales of diesel cars in Germany, Europe's largest auto market, declined about 13% amid the threat of court-ordered driving bans. Across Europe, governments have begun announcing the phase-out of the combustion engine by 2025 to 2040 and are starting to correct fiscal incentives to diesel vehicles; the UK government announced changes to vehicle excise duty and company car tax for new diesel cars. Our work has led to air quality being a top political concern in the UK, with responsibility for developing the new air quality plan moved from Defra to the Prime Minister's office, and parliamentary enquiries on air quality issues regularly featuring in the national media.

The threat of diesel bans, declining diesel sales and the damaged reputation of German car manufacturers were among the top priorities during the German general elections in September 2017. To avoid court-imposed diesel bans, car manufacturers in Germany agreed to recall more than five million diesel vehicles and to contribute €250 million to a clean air fund.

Public awareness: We received unprecedented media attention for our clean air programme in 2017, representing a 73% increase on 2016. The Poisoned Playgrounds Campaign in the UK enabled us to achieve significant reach in highlighting the issues associated with air pollution. We had billboards in eight cities, 260 articles written, 70 broadcast mentions about the launch, and our Poisoned Playgrounds video was viewed more than 14,000 times in 48 hours and around 200,000 times by the end of October. Nearly 1,000 people emailed their MP or signed up to the campaign as a result. German media extensively covered our wave of ten clean air cases and the ground-breaking judgments obtained in Düsseldorf, Munich and Stuttgart. In Brussels, our legal action generated an unprecedented level of media attention, with air pollution becoming one of the main topics in public debate. Our air quality measurement campaign in the city was covered in the front page of the main French and Dutch speaking newspapers.

Building momentum: The momentum generated by our clean air litigation has contributed to an increasing number of NGOs actively engaging in air pollution. Greenpeace launched a major air quality campaign in Europe. An increasing number of citizens and NGOs approached us for advice on how to replicate our clean air cases. ClientEarth also supported a coalition of European NGOs to submit a consultation response on the European Commission's draft guidance on the adoption of National Air Pollution Control Programmes under the NEC Directive. The primary changes proposed were stronger requirements on public participation on coherence with other policies and on justification of flexibilities.

During 2018 we have court decisions pending, including *ClientEarth3* expected in the first quarter of 2018, and the decision by the German Federal Administrative Court on diesel restrictions. We will work to overcome access to justice barriers, which are preventing clean air cases in Bulgaria and Poland. In Central and Eastern Europe, we will also support governments to develop legislation that regulates pollution from domestic heating, such as through solid fuel quality standards. At European level, we will take part in the Air Quality Directive fitness check and we will increase public awareness, inviting citizens to take part in the related public consultation. Finally, we will work with cities to increase support for action on air pollution at EU and national levels, and we will engage with the car industry to ensure stronger commitments for clean technologies, including the development of retrofit solutions for Euro 5 (new registrations from January 2011) and Euro 6 (new registrations from September 2015) diesel cars.

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8. Harmful chemicals

Objective: Ensure that strong laws control the use of harmful chemicals

We want the European institutions and the Member States to stop authorising the use of harmful chemicals and to strictly control their use. We also want them to oblige companies to know the impact of their substances and share this information with all.

Many chemical substances, harmful to human health and the environment are still widely used – even when alternatives exist. Carcinogenic, mutagenic, reprotoxic or endocrine disrupting substances find their way to water, the air or soil, harming both animals and humans. Many are present in the products used every day in the EU, leach from them and end up in our bodies and the environment.

The EU has developed an important regulatory framework on chemicals. But the adoption of a law is never the end of the story in this area. More than 140,000 industrial chemicals are on the EU market. For most of them, we do not have any data or do not fully understand their health and environmental impact, and new substances or mixtures are invented every day. In this context, the main role of chemical regulation is not to set a finite list of what is dangerous and what is not; it is to organise how public authorities take decisions on chemicals, when they have to do it, and how they get the information they need to do so. Our role is to make sure that the interest of the public, and of the environment, is not sacrificed to short-term profits. We counterbalance the influential industries spending considerable resources in downplaying the impacts of chemicals and avoiding or weakening control.

We are accredited observers at the European Chemical Agency (ECHA), which has an important role in the implementation of 'REACH', the main EU regulation on chemicals. As such we promote, support and scrutinise the adoption of decisions controlling the use of harmful chemicals, and challenge decisions which do not respect the law or go against the public interest before the EU Courts. We also use every legal tool at our disposal to force companies to disclose more information on the chemicals they use, and to force public authorities to make their decision-making process fully transparent. This is essential for all relevant parties, including consumers, NGOs and investors, to make informed choices, reward the providers of safer alternatives and contribute to the decision-making process. Our goal is to have all products and materials, such as plastic, free from harmful chemicals – the only way to make sure that they are safe to use and that they can be safely recycled to create a circular economy.

EU chemical legislation: We challenged before the EU Courts two authorisations to use substances toxic for reproduction, carcinogenic and neurotoxic granted by the European Commission to the industry. Under REACH, the European Commission has the power to authorise the continued use of harmful substances, but these authorisations are meant to be exceptional. In practice, however, every request of the industry has been granted, sometimes in clear violation of the conditions set by REACH. Our challenges are still ongoing, but already created pressure on ECHA and the Commission, resulting in new guidance for the industry. It should be more difficult for companies to obtain an authorisation to use chemicals of very high concern in the future.

We successfully contributed to blocking the European Commission from adopting a decision weakening the Regulation on Pesticides. This Regulation bans the use of endocrine disruptors (also known as EDCs) in pesticides. Pesticides are widely released in the environment and have residues on foods, yet EDCs disrupt the development of children with disastrous consequences for fertility, behaviour and intelligence. The Commission intended to add to this Regulation a clause shielding many endocrine disruptors from the ban. We lobbied Member States and the European Parliament to reject the Commission's proposal. The Parliament vetoed the Commission's proposal, and our team received feedback that our action had been instrumental in providing clear, concise and much needed legal arguments.

We supported the identification of Bisphenol A (BPA), a substance commonly found in plastics and food cans, as an endocrine disruptor. This identification is important as once a substance is on the 'very high concern' (SVHC) list under REACH, companies are obliged to provide information on its use and, later, have to ask for a permit before using it. Working closely with a scientist, we combined legal and scientific

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arguments to refute the claims made by the industry to oppose the identification. ECHA identified BPA as a reprotoxic and an endocrine disrupter.

Access to information on chemicals: In 2017, our request to ECHA to make public information on the use of SVHCs by the industry has been supported by the EU Court. When a company applies for an authorisation to use a SVHC, interested parties have the opportunity to comment. But companies ask ECHA to keep a considerable part of their application confidential, limiting the interest of the public consultation. In 2013, we requested information on an application to use DEHP, a reprotoxic and EDC present in plastics. ECHA decided to grant some of the information, but was brought to Court by the industry for doing so. Finally, in January 2017, the EU Court rejected the arguments of industry, sending a clear signal to ECHA and the industry that more information needs to be published.

During 2018 we will pursue the same goals, as the processes followed by decision-makers to take decisions on chemicals need to be improved further, and many new decisions on chemicals will need to be scrutinised, challenged or supported. For example, ECHA's decision to identify BPA as an endocrine disruptor was challenged by PlasticsEurope; we will support ECHA before the EU Court as intervener in the case. REACH will remain a central focus, as it covers most chemicals on the market but we will also work on other regulations as needed, for example on pesticides or cosmetics. We will focus on the most harmful and least regulated substances, such as endocrine disruptors. We will also work on the regulation of harmful chemicals in plastics, as they are both dangerous for humans and hinder full recycling. Finally, increasing the ability of citizens and NGOs to use legal tools to promote safer alternatives will also be part of our strategy in 2018.

Forests

9. Forests and land conversion

Objective: Drive fairer national laws that work better to govern forests and land in target geographies

We want civil society in forested countries to have the legal skills and capacity to influence forest law reform and practice to enable the sustainable and equitable use forests.

Globally, forests have decreased by 129 million hectares in 25 years. The reasons for deforestation and forest degradation are complex. Timber production, the conversion of forests for agriculture, bioenergy, mining and infrastructure expansion, and climate objectives all impact forests.

Often, countries lack robust legal frameworks to protect forests and people from the impacts of deforestation. Laws may be incomplete, incoherent or inadequately balance the interests of forest communities and nature protection against timber producers and investors. Laws are often not applied in an accountable and transparent manner. This makes it difficult for the rights and interests of citizens, particularly women, forest-dependent communities and small-scale producers, who depend on, and are in a position to safeguard the future of forests, to be recognised.

We contribute to the design and operation of laws that govern forests, particularly in Western and Central African countries, including Forest Codes, benefit sharing law, customary law, and laws recognising citizen and community rights. We support civil society to advocate for their right to be consulted during the forest law reform processes and to have their inputs recognised.

Civil society engagement in community forestry laws: In Republic of Congo, we supported civil society to make recommendations on community forestry laws, some of which have been reflected in the new draft Forest Code, resulting in the extension of areas where community forest can be created. We also carried out an analysis of the legal frameworks for community forestry in the Congo basin, resulting in a comparative tool for legislation in the region. We met with communities and local administrations in the Republic of Congo, Gabon and Nepal on the challenges and opportunities to applying such legal frameworks in practice. This information will be used to inform recommendations on the latest drafts of the renewed Forest Codes (Republic of Congo and Gabon) and will feed into an analysis of International Legal Frameworks designed to be used by communities and civil society organisations (all three field studies).

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Legislative amendments: In Ghana, ClientEarth worked with civil society and other stakeholders to pass a new regulation to support the implementation of the Voluntary Partnership Agreement (VPA) (a legally binding trade agreement between the EU and a timber-producing country outside of the EU). The new regulation, passed on the 3rd November 2017, aims to stop illegal deforestation and reduce the sale of illegal timber by improving rules and procedures to issue logging permits. The regulation will also ensure that local communities benefit from logging that affects them and give local organisations more rights to access information, allowing them to keep watch and ensure the system remains credible. This is a major milestone on the road to the full implementation of the country's VPA with the EU, which will help to ensure that Ghana's timber is legal and promote better management of Ghana's forests.

Increased information sharing: We ran regular Legal Working Group (LWG) meetings in four countries (Ghana, Liberia, Cote d'Ivoire and Republic of Congo) to conduct legal trainings, facilitate discussions, and share analysis. These meetings bring together NGO and community representatives to build the legal capacity of participants to engage in reform and operation of law, and increase information sharing on forest laws. For instance, we supported civil society in the Republic of Congo to share their lessons from independent forest monitoring, with civil society organisations and other actors in other countries (in Cote d'Ivoire, as well as in Europe at a meeting of Member State enforcement authorities). As a result, and with our support, civil society in Côte d'Ivoire are pushing for the recognition of independent monitoring in their legal frameworks.

In 2018 we will continue working with government, private sector, communities, and civil society, looking in particular at improving benefit sharing agreements, complaint mechanisms, laws governing conversion and for the inclusion of independent monitoring and community rights into forest law. In Cote d'Ivoire and the Republic of Congo we will continue to engage with legal reform process (Forest Code and implementing decrees). In Liberia we will support implementation of community forestry laws and social agreements. In Ghana we will support the design of and engagement with complaint mechanisms. Throughout, we will continue to support civil society to advocate for their right to be consulted and to have their inputs recognised. We will work to increase the awareness of the need for effective legal systems that recognise community rights in relevant forest, land and climate policy fora in 2018.

We will explore increased linkages between our work on forest governance and international climate initiatives in the coming year (e.g. Reduced Emissions from Deforestation and Degradation (REDD+), Nationally Determined Contributions (NDCs) in forested countries, and reforestation initiatives).

10. Forests and trade

Objective: Reduce the trade of illegally harvested timber in key international markets and increase recognition of the risks associated with the trade of deforestation-linked forest risk commodities, including soya, palm oil, cocoa and biomass

We want timber operators to understand and comply with timber legislation in the EU and producer countries, authorities to regulate and properly enforce legislation, and civil society to have the capacity to apply legal tools to pursue concerns.

Reducing illegal timber and deforestation-linked forest risk commodities from international markets is key to halting deforestation. If demand is eliminated, supply will decline. We work with existing law and practice, such as the EU Timber Regulation (EUTR), the EU Unfair Commercial Practices Directive, action plans on deforestation and degradation, company reporting, business standards and company voluntary commitments in the EU and beyond, and influence the development of new laws to stop the trade in illegally harvested timber.

The EUTR aims to restrict the trade of illegal timber from forested countries to the EU, but gaps remain in the implementation and enforcement of the EUTR. Authorities, EUTR regulators, private sector timber operators and civil society all need to understand, and have access to, legal information and tools to promote and comply with the legislation. We seek to contribute to more effective compliance with and enforcement of the EUTR by building the capacity of target stakeholders.

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EUTR enforcement: In 2017 ClientEarth sent a complaint to the European Commission about Belgium's low number of EUTR controls. The Commission subsequently began legal proceedings against Belgium in October for not carrying out enough EUTR checks on timber placed on the Belgian market. This is the first time the Commission has launched legal proceedings against a Member State for not adequately enforcing the EUTR. The legal action sends a clear signal to all Member States to enforce the EUTR properly.

Global momentum: During 2017, we saw the UK, Denmark, the Netherlands, Germany and Sweden issue injunctions and fine a number of operators that were not complying with the EUTR. Elsewhere, Japan – one of the largest importers of tropical timber - has developed a new law to stop illegally harvested timber from entering their markets. The new law encourages all businesses to use legal timber, but only businesses who voluntarily register with the government have an obligation to check the legality of timber they import or trade. The Chinese government and forest industry are also developing a policy framework for timber legality. As the world's largest importer and consumer of timber products, China also has a critical role to play in reducing illegal deforestation. This is an area that we will explore more in 2018, as we continue to engage with the development of illegal timber laws internationally.

Forest-risk commodities: We have started scrutinising whether the public voluntary commitments of companies (trading soya, palm oil, cocoa) are compatible with consumer protection and advertising law, and in 2018 will explore ways to bring this to the attention of regulators.

Biomass: The recast of the EU Renewable Energy Directive made its journey through the European Parliament. ClientEarth worked with a coalition of EU-based NGOs to lobby MEPs ahead of key votes. We reviewed the sustainability and carbon neutrality claims made by those using biomass, including for the conversion of coal power stations to biomass.

During 2018 we will continue to support improved enforcement of the EUTR and influence the development and operation of illegal timber regulations internationally. We will also work to influence business standards so that companies recognise forest-related risks in their supply chains and investments and increase recognition and reporting of non-financial risks of trading and investing in timber. With respect to biomass, we will continue to advocate into trilogues (meetings of the European Parliament, the Council and the Commission) on the Renewable Energy Directive. We will also monitor the use of unsustainable biomass for electricity generation at scale.

Oceans

11. Marine habitats

Objective: Promote stronger laws that protect marine habitat and wildlife

We want adequate MPA designation for keystone species, and damaging fishing activities to stop in MPAs, and we want to see the effective implementation of the EU plastics strategy.

Marine ecosystems face a myriad of pressures, including fishing activities and plastics pollution. The establishment and effective management of legally protected marine areas (MPAs) is one of the best ways to protect vulnerable marine habitats and species. Efforts to tackle plastics pollution, however, cannot be limited to regulating activities in MPAs. Our priority will be to reduce the amount of plastics being produced and sold and we will also look at ways to create change in the private sector.

Damaging fishing in UK MPAs: The EU has strong laws that require Member States to take action on the designation and enforcement of MPAs. Despite progress in inshore English waters between 2012-2014, driven by the threat of legal challenge from ClientEarth and the Marine Conservation society, momentum has stalled; several bylaws to enact legally required fisheries management measures were waiting several months for the Secretary of State's signature. Throughout 2017, ClientEarth was active in pushing for renewed momentum. We were prominently engaged in regulator discussions about whether certain management approaches are in line with the law with a view to ensuring that bad management practices are not allowed to take root.

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MPAs across Europe: ClientEarth's efforts to ensure that other Member States feel compelled to introduce legally compliant fisheries management measures, working with local NGOs, have begun to bear fruit. Various NGOs are starting to understand the value of and use legal arguments either for the first time, or differently. Our direct engagement with NGOs in Croatia, France, Belgium, and the Netherlands has been welcomed.

MPAs for porpoises: UK waters host a large proportion of the European population of harbour porpoises, yet the UK government has resisted call for designation of sites to help protect this species. After many years of advocacy by ClientEarth and other NGOs, including publications where ClientEarth argued that the law was being misinterpreted, the official designation process finally began in 2017. Six sites were submitted to the European Commission for approval. Although some of the sites are relatively large, the overall area is not sufficient and some recommended areas have not been included in the proposals. Dialogue has begun between NGOs and regulators around management measures (e.g. to control noise pollution) for the proposed sites.

Marine plastics pollution: ClientEarth began to engage with the marine plastics pollution problem in 2017. Early work focused on strengthening the UK ban on microplastics in cosmetics and toiletries. The law, which will come into force in early 2018, still has some gaps, e.g. the definition may not include waxy microplastics, but is a positive step.

During 2018 we will continue advocacy on adequate management measures for harbour porpoises, and engage with NGOs across Europe to ensure that other Member States are compelled to introduce legally compliant fisheries management measures in their MPAs. We will also engage on the implementation of commitments in the EU plastics strategy and assess business practices involving the manufacture or use of plastics, especially from single-use plastics.

12. Fisheries and Seafood

Fisheries

Objective: Ensure fishing is not exceeding sustainable levels in European waters

We want to see the sustainable management of marine resources, including effective fisheries management, control and enforcement.

One of the biggest effects humans have on the ocean is through fishing. Although some European fisheries have improved in recent years, overfishing continues to be the most immediate and significant threat in European waters. The EU Common Fisheries Policy (CFP) brought significant gains with strict requirements to: manage fish stocks sustainably by 2020; eliminate discards in EU fisheries by 2019; and, regionalise fisheries management through longer-term Multi-Annual Plans (MAPs). A revised framework for all technical conservation measures is also meant to better regulate when, where and how fishing occurs.

If these mechanisms were put into practice there would be a positive tangible impact on marine resources management and the protection of biodiversity. At the moment, however, an implementation gap and culture of non-compliance threatens to undermine the legal architecture and the standardisation of good practice. ClientEarth is committed to getting the strongest possible interpretation and implementation of the CFP and connected legislation.

Fishing quotas: Our analysis and engagement with European Commission and UK (DEFRA) officials contributed to some progress on setting fishing limits (or TACs) for 2018 at a sustainable level in line with scientific advice. Strengthened liaison with scientists allowed us to provide input into the development of public database of scientific catch advice, a tool likely to facilitate future analyses of TACs decisions. While there has been some progress, TACs for many vulnerable stocks are still set at levels way above scientific advice e.g. certain stocks of whiting, herring and plaice. Access to information requests and analysis on Member States' justifications for 2017 fishing quotas revealed an appalling lack of transparency regarding the decision-making progress.

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Landing obligation in the North Sea and North-West Waters: Collaboration with EU NGOs enabled us to highlight shortcomings in the implementation of the landing obligation to high-level officials at the Commission, particularly in relation to abuse of exemptions. Both the Commission and UK officials have subsequently acknowledged the validity of our concerns and recommendations, which have also been confirmed by independent scientists. Through our work in the Advisory Councils we, together with other NGOs, have firmly opposed the overly negative narrative perpetuated by the fishing industry and focused the debate on concrete issues.

Multi-Annual Plans: The Commission's proposal for the North Sea multi-annual plan considerably watered-down the CFP's requirements. We worked with other NGOs to successfully influence the European Parliament to eliminate use of a mechanism would allow overfishing to continue. Unfortunately, this major gain was lost during subsequent negotiations.

UK fisheries legislation post Brexit: Our expertise on fisheries and participation in the Greener UK coalition, with a dedicated UK fisheries lawyer, have positioned ClientEarth to influence the development of future UK fisheries legislation. ClientEarth was invited to participate to the first debate on Brexit and Fisheries in the European Parliament.

During 2018 we will push for progress on sustainable fishing limits, drawing attention to stocks of concern, and continuing to build awareness of the mismatch between TAC units and scientific advice. We will also engage in the decision-making process on the revision of the Fisheries Control Regulation, which is expected to start in 2018. Increasing awareness within advisory councils, collaborating with NGOs and engaging with scientific bodies will be our strategy for pushing for implementation of the landing obligation in 2018/9 and we will fight for a faithful approach to the CFP in the Western Waters multi-annual plan. We will also coordinate with Greener UK NGO in our continued engagement with DEFRA and in the drafting of clauses in advance of the UK'S Fisheries Bill, as well as garner support from MPs for a framework that secures protections for the marine environment.

Seafood

Objective: Drive sustainable fisheries and seafood supply chains across Europe

We want to see the sustainable management of marine resources, including effective fisheries management, control and enforcement.

The ownership of responsibility for stewarding natural resources varies according to geography, scope, influence and capacity. Consumer pressure can be a powerful tool to incentivise responsible business behaviour and, at the same time, businesses can influence consumer choice by only providing responsibly sourced fish. Whatever the driver, key players in the seafood supply chain can put significant pressure on the fishing and aquaculture industries and have an impact that reaches far beyond European fisheries. Our work with supply chains will define voluntary commitments and expectations to account for the gap in legal protection.

Sustainable seafood in the UK: The UK's largest catering business (Compass Group) and two additional retailers (Lidl and Iceland) joined the Sustainable Seafood Coalition (SSC) in 2017. This means that eight out of 10 major retailers are committing to the SSC codes of conduct, which is an equivalent of 81% of fresh fish (by value) sold in supermarkets in the UK. An assessment report showed that 97% of seafood labelling claims by SSC members aligned with the SSC labelling code. This represents a 15% improvement since 2011 and even non-members are aligning with the SSC codes. The SSC sourcing code commits businesses to responsible stewardship of our oceans. For example, the North Sea Cod fishery improvement project was financed by seven businesses, of which six are SSC members. This resulted in a certified fishery which will be sustainable within five years.

Sustainable seafood internationally: In 2017 ClientEarth began a new multi-year project to translate the SSC's collaborative approach in Spain, the EU's most powerful fishing nation. At the EU-level, ClientEarth is a founding NGO member of the Aquaculture Advisory Council. In North America, the Conservation

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Alliance for Seafood Solutions has prioritised having clear, consistent 'common' language on sustainability in their objectives, and will formally collaborate with ClientEarth.

In 2018 we will invite all remaining UK retailers and other key seafood businesses to join the SSC. We will invite existing members to provide new member referrals within their specific supply chains. We expect to see SSC members move to tackle risks of labour abuse and modern slavery in their supply chains. In Spain we will continue work to establish a pre-competitive platform of retailers and work with them, as well as the key NGOs, to make a difference in the Spanish market. We will present our progress to a global audience at the SeaWeb seafood summit in June.

Wildlife

13. Wildlife and habitat loss

Objective: Promote adherence to laws protecting key European nature sites and species.

We want EU biodiversity laws to be consistently implemented and enforced, and for NGOs and citizens to have legal skills and access to courts so that they can hold governments to account.

Biodiversity in Europe is under increasing threat; by 2020, populations of vertebrate species are expected to have fallen by 67% compared to 1970 levels. While some action has been taken - large carnivores, including the brown bear, the lynx and the wolf, are recovering - many species, including butterflies, bees and birds, are in rapid decline. Their losses have potentially devastating consequences for ecosystems, as well as food security and livelihoods.

Legally protected areas and the designation of special protection for vulnerable species are effective methods for protecting important habitats and species. EU laws are strong but are not consistently implemented or enforced in many countries, and illegal habitat destruction persists.

Our wildlife work has recently been largely focused in Poland, where we defend wildlife laws from attempts to weaken them and challenge non-compliance using litigation and regulatory complaints to set legal precedents. We also address barriers that stop NGOs and citizens from using the law to protect biodiversity e.g. access to courts. More broadly, we have been active at EU level to secure more 'biodiversity-friendly' interpretations of laws through better guidance on crucial aspects of these and have begun to invest more effort in building the capacity of NGOs across Europe to spot non-compliance and make legal challenges.

Interpretation of laws: An Action Plan for the EU Nature Directives was published by the European Commission in 2017, focusing on how to deliver better implementation and enforcement of the Directives, something ClientEarth had been calling for. Commitments to revising European-wide guidance on key legal provisions creates a space for ClientEarth to engage. In 2017 we co-authored papers on 'appropriate assessments' for projects in Natura 2000 sites, with recommendations for the Commission.

Revisions to laws: We helped to stop an amendment to Polish Nature protection laws that would have made it compulsory for environmental authorities to give permits to projects in Natura 2000 protected areas if the project has an overriding public benefit. We also submitted recommendations that would make large carnivore hunting plans subject to the impact assessments.

Non-compliance: We continued to oppose plans to treble logging in precious Białowieża Forest. UNESCO delegates called for a halt to logging and ClientEarth launched a campaign to save the forest. Our legal strategy contributed to an interim ban on logging, issued by the European Court, and in an unprecedented move, the European Commission called on the Court to impose fines on Poland for failure to respect the ban. This was the biggest factor in the Polish Government's decision to halt the intensive logging in Białowieża Forest.

We believe that the Polish authorities are regularly circumventing species protection law to allow the commercial hunting of bison. In 2017, we stimulated public debate and challenged the regulator - the number of animals to be 'culled' was subsequently reduced. We also made a complaint about forest

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

management being illegally exempted from the requirement to assess the impact on protected species, and expect a response in 2018. In Bulgaria, we helped a Bulgarian NGO with their complaint to the European Commission about a motorway being built through Kresna Gorge, a Natura 2000 protected site, without the appropriate assessments taking place.

Civil society access to courts: We submitted a number of complaints to the Aarhus Convention Compliance Committee regarding Poland. One complaint focused on the lack of judicial oversight in the management of Polish public forests – about a quarter of Polish territory. We await a response in 2018, but the Białowieża Forest case has altered public perception in Poland on the lack of access to justice as being a problem. Another complaint related to the new Polish Water Law, which excludes NGOs from participation in water permitting processes and makes it much more difficult in practice to protect the environment.

Civil society legal capacity: The legal assistance of ClientEarth is increasingly being called upon by national NGOs. We received enquiries about whether the arguments used in the Białowieża case are replicable in other countries. This indicates an increased awareness of the law as a tool to tackle threats in protected areas.

Political support: In Poland, there are promising signs that a few political actors will react to our recommendations on legislative proposals, providing they have good quality materials at their disposal. This is also true in the European Parliament. Further, it is positive that the Polish political opposition parties have begun to consider a long-term solution to protecting Białowieża Forest by giving 'national park' status to the whole of the Białowieża Forest. This would take power away from the timber-focused state forest company that currently manages it. However, the bulk of politicians continue to ignore conservation issues and, more worryingly, the actions of the Polish government showed disregard for conservation concerns.

In 2018 we expect to see our positions incorporated into EU-level guidance documents, such as guidance on Article 6 of the Habitats Directive. We will also continue working to reverse the decision to treble logging in Białowieża and facilitate challenges to illegal decisions to increase logging in other Polish forests, through national or EU routes. We anticipate more proposals to be released by the Polish government that undermine EU nature protection laws and we will challenge these where possible. We will also build on the momentum among politicians to create a nature reserve in the Southern Carpathian region of Poland e.g. Turnicki Forest, home to wolves, bears, lynx, wildcats and golden eagles.

Note that ClientEarth did not complete work on Initiative 14, Agriculture and Soils in 2017

Monitoring, evaluation and learning

Monitoring behaviour change

The five-year strategy is underpinned by a series of detailed strategies and plans which are in place or in development. Annual plans linked to the initiatives ensure clarity on the changes in behaviour, policy and practice the organisation wants to effect through advocacy, litigation, communications and capacity-strengthening strategies.

In larger programme areas, a monitoring and evaluation framework is in place aligned with a results framework or theory of change. During regular meetings, project teams meet to discuss the impact of recent activities and outputs. Feedback from external stakeholders is also recorded when received, as well as requests for collaboration or advice and invitations to speak at events, as indicators of the quality, value and impact of the work.

At present, monitoring and evaluation approaches are specific to the programme area. In some areas we record external events that can be credibly linked to the programme's activities and outputs, and to log statements and actions from decision makers and key influencers that demonstrate a shift in attitude or behaviour, or adoption of our messaging. In all areas, regular reports are produced for internal and stakeholder use.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Since ClientEarth uses a common set of approaches and tools (litigation, advocacy, campaigns, and capacity-building), there is a drive to look at how ClientEarth can both systematise and enhance the way in which influence on change is measured and evidenced. Finding ways to articulate ClientEarth's role in increasing the commitment or obligation of key actors (e.g. government, industry, regulators, investors) over time, from obstructive behaviour at one end of the scale through to beneficial action at the other, will streamline internal monitoring processes, strengthen learning and inform future strategies. It will also provide a strong narrative for communicating with donors and the public about the use of the law as a positive tool, and will be informative for the international NGO sector in general.

Learning to improve

Two key areas of learning emerged from ClientEarth's work in 2017: the value of integrating strategies to increase the likelihood of achieving change; and the increasing recognition and request for legal expertise showing the value of a legal contribution to achieving positive change.

Integrating strategies: ClientEarth's approaches require different skills and several teams have reflected on their improved success when they are able to deploy two or more strategies. The Chemicals team realised that advocacy alone is not sufficient to address issues of chemical authorisation. *"Taking legal action in parallel has made it more difficult for companies to obtain authorisation to use substances of high concern."* Likewise, the Clean Air team stated that *"Our strategy has been most successful in countries where we have been able to combine litigation with deep political, media and public engagement"*. And the Wildlife team stated that *"Parachuting in one lawyer will have limited impact, if they are not supported by strong communications and public facing NGOs."* The Energy team recognise the need for better alignment between policy and litigation work: *"We need permanent exchange between those work on policy advocacy at the EU level in Brussels and those working in national jurisdictions."*

Value of legal contribution to community: Teams are also observing an increase in requests for ClientEarth's expertise and the opportunities this is presenting. In the Climate Finance area, the team noted *"we have become sought after for our expertise on how existing laws apply to climate risk, which has led to a number of opportunities to play a central role in policy and law reform in the UK and Europe."* The Brexit team commented that *"we have now secured an influential and respected position within the Greener UK coalition and we are often called on to answer legal questions posed by GUK members and supporters."* Similarly, the Fisheries team are *"seen as the lead organisation for some important fisheries dossiers [as a result of collaboration with other NGOs] such as the revision of the Control Regulation"* and the Wildlife team in Poland have seen *"the huge levels of appreciation among conservation NGOs [that we have supported] of the power of law and strategic legal interventions."*

Structure, governance and management

The charity is a company limited by guarantee and is governed by its memorandum and articles of association.

The trustees, who are also the directors for the purpose of company law, who served during the period, were:

- Winsome Dunn McIntosh (Chair)
- Howard Covington (Vice-chair)
- Georg Stratenwerth (Treasurer)
- Frances Beinecke
- Brian Eno
- Daniel Greenberg
- Stephen Hockman QC
- Philippe Joubert
- Sonia Medina Gomez (appointed 27 October 2017)
- Christina Robert
- Fabienne Serfaty

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

- Sarah Butler- Sloss
- Sir Martin Smith
- The Honourable Emily Young (retired 9 November 2017)

None of the trustees has any beneficial interest in the company. All of the trustees are members of the company and guarantee to contribute £10 in the event of a winding up.

ClientEarth's governance is undertaken by the trustees, who meet three times a year. There are three board committees, covering finance, governance and CEO performance and remuneration. The Finance Committee meets three times a year ahead of board meetings, the Governance Committee meets at least once per year or more often if required. The Compensation Committee meets on an ad hoc basis.

New trustees are appointed by the Board through the Governance Committee. They are selected on the basis of their sympathy with ClientEarth's charitable objects and their ability to further them as a trustee. The Governance Committee actively considers skills gaps in the Board of Trustees and seeks to fill these with any new appointments. New trustees are elected by resolution and approved by a majority of trustees where a Board quorum is present.

New trustees are provided with an induction material containing relevant information regarding the charity, including the governing document, latest management reports and financials, together with relevant guidance on the role and responsibilities of trustees. Trustees are eligible to remain on the Board of Trustees until the second annual retirement meeting following their appointment, after which time they become eligible to be reappointed by election.

The trustees are responsible for setting the overall programmatic and financial strategy of the charity and for approving the annual budget, but delegate the day-to-day management to the chief executive officer (CEO), James Thornton, who is supported by a senior management team (SMT).

ClientEarth has a number of offices throughout the world: London, Brussels, Madrid, Warsaw, Beijing, and New York. In addition it operates in many countries throughout Europe, Central and Eastern Europe and Central and Western Africa through partners and sub-grantees.

The London headquarters accommodates the majority of the core functions of the charity such as the CEO's office, finance, development, communications, human resources and administration teams. The charitable work of the organisation is structured by programme, which are led by programme heads or programme leads. This programme-centric structure is distributed across the offices without reference to geographical location, so that teams may be dispersed in more than one office.

The charity has registered branches in Belgium and Spain.

ClientEarth has a subsidiary undertaking, 'Fundacja ClientEarth Prawnicy dla Ziemi', which is entirely controlled and funded by the UK charity; the Board of Trustees comprise Winsome McIntosh, James Thornton and Cornelia Edelman, while the management board includes members of ClientEarth UK's management team. Fundacja ClientEarth Prawnicy dla Ziemi is established as the Polish equivalent of a charity, and its income is derived from donations and grants made by ClientEarth UK to carry out its charitable activities.

The charity established a subsidiary undertaking in China at the end of 2016, which began operations during 2017. Initially registered as a non-charitable 'wholly-owned foreign entity' or WOFE, at year-end the process was underway to transition operations into ClientEarth China, a representative office of the UK charity, registered in June 2017 under China's new NGO law.

In late 2015, a separate 501.3C charity was established in the USA to support ClientEarth's fundraising activities.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The charity has another subsidiary undertaking – a French foundation called ClientEarth France – which is also wholly controlled by ClientEarth UK. It remained dormant during 2017 undertaking no activity during the year and making no financial transactions.

Risk management

The trustees are responsible for the oversight of the risks faced by the organisation. A risk register identifies the major financial, regulatory, governance, external, operational and reputational risks to which the charity is exposed, assesses their likelihood and potential impact, and details the mitigation measures that are a) already in place and b) necessary to implement. The trustees review this risk register at each board meeting and consider any further steps which may be necessary to manage new as well as previously identified risks.

The trustees consider the most serious risks to which the charity is exposed at present to be: 1) the potential impact of Brexit on our operations in light of our European focus as a UK headquartered organisation; 2) the level of the charity's reserves, which are still below the target level set by the reserves policy; and 3) the rate of income growth, the associated need for systems improvements, and the impact this is having on sustainability of key staff.

Fundraising

ClientEarth employs an in-house development team who specialise in major giving and trust and foundation fundraising. ClientEarth does not employ any third-party professional fundraisers (either individuals or organisations) and has no commercial partners contributing to fundraising efforts.

ClientEarth is registered with the Fundraising Regulator. The charity has not received any complaints about fundraising activities. In addition to major giving and trust and foundation fundraising, ClientEarth offers members of the public the opportunity to donate through the ClientEarth website, and is committed to fundraising in a way that meets the expectations of the public and respects the rights of all individuals, particularly the vulnerable.

Financial review

During the year ended 31 December 2017 the charity received total income of £11,428,856, a 56% increase on 2016 (£7,311,514). Total expenditure increased by 22% to £8,941,483 (2016: £7,352,625).

At year end, the total funds held by the charity were £5,552,076, an 81% increase on the previous year (2016: £3,064,703). The majority of this increase came in restricted funds, with £4,283,774 held at 31 December 2017, a 95% increase on 2016 (£2,134,127). The unrestricted funds held at the year-end increased by 50% to £1,268,302 (2016: £930,576).

The most significant source of income, representing roughly three-quarters of the total, continues to be grants to fund our charitable activities. The grants are from charitable foundations and trusts in the UK, Europe and the USA, and from the UK, German and EU governments. The bulk of these grants are restricted to specific programmes of work, the details of which may be found in note 16 to the accounts. The high restricted funds balance held reflects the significant volume of grants that have been received and are being held pending their use for specific restricted purposes.

As in 2016, income diversification continues to be a very high priority for ClientEarth, with a particular focus on developing stronger unrestricted income streams. As part of the five-year strategy process outlined elsewhere in this report, a financial model was developed during the year which facilitates planning the charity's trajectory towards stronger financial health. This allows scenario planning for different income mixes going forwards, which informs where fundraising investments are made.

CLIENTEARTH COMPANY LIMITED BY GUARANTEE TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Reserves policy

The trustees adopted a revised reserves policy in November 2015 which considers the financial risks to which the charity is exposed and sets the target level of free reserves accordingly at 25% of total annual expenditure excluding sub-grants and external litigation costs - £1,995,306 in 2017. Reserves are held: to cover unexpected falls in income, providing bridge funding between grants; to provide rapidly-deployable seed-funding for new initiatives; and to cover cash flow troughs, especially where grants are paid in arrears.

2017 again saw progress towards growing the charity's reserves to this level. The free reserves, calculated as total unrestricted funds less fixed assets, held at 31 December 2017 totalled £1,023,871, a 10% increase on the prior year (2016: £930,576). This is the fourth year running that the charity has bolstered its reserves fund, though there is still some way to go before free reserves meet the target level. The major donor fundraising programme, now in its third year, continues to deliver excellent results. This programme, together with diversification of unrestricted income streams, means the reserves target is projected to be met by 2021.

Trustees' responsibilities statement

The trustees who are also directors of ClientEarth for the purposes of company law are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102) ;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure to auditors

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that 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 are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
TRUSTEES' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2017

Auditors

Arram Berlyn Gardner LLP is deemed to be appointed as auditors and will be proposed for reappointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

On behalf of the trustees



W McIntosh

Date 26/04/2018

CLIENTEARTH

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLIENTEARTH

Opinion

We have audited the financial statements of ClientEarth (the 'parent charitable charity and subsidiaries') for the year ended 31 December 2017 set out on pages 31 to 58. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 December 2017 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 United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

CLIENTEARTH

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CLIENTEARTH

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities, the trustees' (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group and parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

CLIENTEARTH

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CLIENTEARTH

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 and to the charitable company's trustees, as a body, in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's members and its trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Julie Piper FCA (Senior Statutory Auditor)
for and on behalf of Arram Berlyn Gardner LLP

4 May 2018
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Chartered Accountants
Statutory Auditor

30 City Road
London
EC1Y 2AB

Arram Berlyn Gardner LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

CLIENTEARTH

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

| | Notes | Unrestricted funds £ | Restricted funds £ | Total 2017 £ | Total 2016 £ |
|-------------------------------------------------------------------------|-------|----------------------------|--------------------------|--------------------|--------------------|
| <u>Income and endowments from:</u> | | | | | |
| Donations and legacies | 3 | 1,429,851 | 1,074,545 | 2,504,396 | 1,453,531 |
| <u>Charitable activities:</u> | | | | | |
| Biodiversity Programme | 4 | 1,307 | 1,091,540 | 1,092,847 | 1,153,857 |
| Climate & Energy Programme | 4 | 430 | 502,869 | 503,299 | 744,402 |
| Climate & Forests Programme | 4 | - | 1,092,497 | 1,092,497 | 1,384,125 |
| Strategic Litigation Programme | 4 | 60,545 | 4,570,542 | 4,631,087 | 2,329,062 |
| Environmental Justice Programme | 4 | 1,324 | 652,334 | 653,658 | 141,879 |
| China Programme | 4 | - | 939,393 | 939,393 | 95,262 |
| Investments | 5 | 150 | - | 150 | 258 |
| Other income | 6 | 11,529 | - | 11,529 | 9,138 |
| Total income | | 1,505,136 | 9,923,720 | 11,428,856 | 7,311,514 |
| <u>Expenditure on:</u> | | | | | |
| Raising funds | | 430,188 | 349,378 | 779,566 | 317,725 |
| <u>Charitable activities:</u> | | | | | |
| Biodiversity Programme | 7 | 153,542 | 1,264,882 | 1,418,424 | 1,516,726 |
| Climate & Energy Programme | 7 | 79,241 | 648,012 | 727,253 | 886,688 |
| Climate & Forests Programme | 7 | 144,960 | 1,384,019 | 1,528,979 | 1,457,392 |
| Strategic Litigation Programme | 7 | 318,252 | 3,253,761 | 3,572,013 | 2,504,633 |
| Environmental Justice Programme | 7 | 16,108 | 254,494 | 270,602 | 212,809 |
| China Programme | 7 | 25,119 | 619,527 | 644,646 | 456,652 |
| Total charitable expenditure | | 737,222 | 7,424,695 | 8,161,917 | 7,034,900 |
| Total resources expended | | 1,167,410 | 7,774,073 | 8,941,483 | 7,352,625 |
| Net income/(expenditure) for the year/ Net movement in funds | | 337,726 | 2,149,647 | 2,487,373 | (41,111) |
| Fund balances at 1 January 2017 | | 930,576 | 2,134,127 | 3,064,703 | 3,105,814 |
| Fund balances at 31 December 2017 | | 1,268,302 | 4,283,774 | 5,552,076 | 3,064,703 |

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

CLIENTEARTH

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

| | Notes | 2017 | | 2016 | |
|-------------------------------------------------------|-------|------------------|------------------|------------------|------------------|
| | | £ | £ | £ | £ |
| GROUP | | | | | |
| Fixed assets | | | | | |
| Intangible assets | 10 | | 50,992 | | - |
| Tangible assets | 11 | | 193,439 | | - |
| | | | <u>244,431</u> | | <u>-</u> |
| Current assets | | | | | |
| Debtors | 13 | 2,182,216 | | 1,806,957 | |
| Cash at bank and in hand | | 3,743,672 | | 1,613,436 | |
| | | <u>5,925,888</u> | | <u>3,420,393</u> | |
| Creditors: amounts falling due within one year | 14 | <u>(618,243)</u> | | <u>(355,690)</u> | |
| Net current assets | | | 5,307,645 | | 3,064,703 |
| Total assets less current liabilities | | | <u>5,552,076</u> | | <u>3,064,703</u> |
| Income funds | | | | | |
| Restricted funds | 16 | | 4,283,774 | | 2,134,127 |
| Unrestricted funds | | | 1,268,302 | | 930,576 |
| | | | <u>5,552,076</u> | | <u>3,064,703</u> |

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The accounts were approved by the Trustees on 26/04/2018



W McIntosh

Trustee

Company Registration No. 2863827

CLIENTEARTH

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

| | Notes | 2017 | | 2016 | |
|-------------------------------------------------------|-------|------------------|------------------|------------------|------------------|
| | | £ | £ | £ | £ |
| PARENT CHARITY | | | | | |
| Fixed assets | | | | | |
| Intangible assets | 10 | | 50,992 | | - |
| Tangible assets | 11 | | 193,439 | | - |
| | | | <u>244,431</u> | | <u>-</u> |
| Current assets | | | | | |
| Debtors | 13 | 2,173,515 | | 1,802,162 | |
| Cash at bank and in hand | | 3,707,376 | | 1,565,259 | |
| | | <u>5,880,891</u> | | <u>3,367,421</u> | |
| Creditors: amounts falling due within one year | 14 | <u>(603,566)</u> | | <u>(344,696)</u> | |
| Net current assets | | | 5,277,325 | | 3,022,725 |
| Total assets less current liabilities | | | <u>5,521,756</u> | | <u>3,022,725</u> |
| Income funds | | | | | |
| Restricted funds | 16 | | 4,283,774 | | 2,134,127 |
| Unrestricted funds | | | 1,237,982 | | 888,598 |
| | | | <u>5,521,756</u> | | <u>3,022,725</u> |

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The accounts were approved by the Trustees on 26/04/2018


W McIntosh
Trustee

Company Registration No. 2863827

CLIENTEARTH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

| | Notes | 2017 | | 2016 | |
|---------------------------------------------------------------|-------|-----------|------------------|------|------------------|
| | | £ | £ | £ | £ |
| Cash flows from operating activities | | | | | |
| Cash generated from/(absorbed by) operations | 21 | | 2,402,266 | | (973,465) |
| Investing activities | | | | | |
| Purchase of intangible assets | | (52,750) | | - | |
| Purchase of tangible fixed assets | | (219,430) | | - | |
| Interest received | | 150 | | 258 | |
| Net cash (used in)/generated from investing activities | | | (272,030) | | 258 |
| Net cash used in financing activities | | | - | | - |
| Net increase/(decrease) in cash and cash equivalents | | | 2,130,236 | | (973,207) |
| Cash and cash equivalents at beginning of year | | | 1,613,436 | | 2,586,643 |
| Cash and cash equivalents at end of year | | | <u>3,743,672</u> | | <u>1,613,436</u> |

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Charity information

ClientEarth is a private company limited by guarantee incorporated in England and Wales. The registered office is 10 Queen Street Place, London, EC4R 1BE. The principal place of business is The Hothouse, 274 Richmond Road, London, E8 3QW.

1.1 Accounting convention

The accounts have been prepared in accordance with "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (as amended for accounting periods commencing from 1 January 2016). The charity is a Public Benefit Entity as defined by FRS 102.

The accounts are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The accounts have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the accounts, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the accounts.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

1.4 Incoming resources

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

Value added tax is not recoverable by the charity, and as such is included in the relevant costs in the Statement of Financial Activities.

Income from grants are recognised at fair value when the charity has entitlement after any performance conditions have been met, it is probable that the income will be received and the amount can be measured reliably. If entitlement is not met then these amounts are deferred.

Grants received with both a restricted and unrestricted purpose are allocated on receipt directly into the correct fund and are not transferred between restricted and unrestricted funds.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.5 Resources expended

Resources expended are recognised in the period in which they are incurred.

Resources expended are allocated to the particular activity where the cost relates directly to that activity.

Support costs comprising the salary and overheads costs of the central function are apportioned to each activity on the following per capita basis:

| | |
|---------------------------|-----|
| Costs of generating funds | 6% |
| Biodiversity | 20% |
| China | 5% |
| Climate and energy | 12% |
| Climate and forests | 15% |
| Strategic Litigation | 39% |
| Environmental justice | 3% |

Value added tax is not recoverable by the charity and as such is included in the relevant costs in the Statement of financial activities.

Governance costs include all costs of compliance with constitutional and statutory requirements, including legal, audit fees and the costs of board meetings.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|----------|-------------------|
| Software | 20% straight line |
|----------|-------------------|

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|--------------------------------|-------------------|
| Fixtures, fittings & equipment | 20% straight line |
| Computers | 20% straight line |

1.8 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income/ (expenditure for the year, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

The charity operates a defined contributions pension scheme. Contributions are charged in the accounts as they become payable in accordance with the rules of the scheme.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease.

1.13 Foreign exchange

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are included in net outgoing resources.

1.14 Accumulated funds

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.15 Basis of Consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of ClientEarth and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

A separate statement of the financial activities and Income & Expenditure accounts are not presented for the charity itself following the exemptions permitted by section 408 of the Companies Act 2006 and paragraph 397 of the SORP. The total incoming resources for the charity for the period ended 31 December 2017 were £11,414,525 (2016: £7,274,114) with the positive movements in funds being £2,499,031 (2016: £66,904 negative movement).

1.16 Fixed assets

Items of equipment are capitalised where the purchase price exceeds £1,000.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

Income recognition

Income from grants are recognised at fair value when the charity has entitlement after any performance conditions have been met, it is probable that the income will be received and the amount can be measured reliably. If entitlement is not met then these amounts are deferred.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

3 Donations and legacies

| | Unrestricted funds | Restricted funds | Total 2017 | Total 2016 |
|--------------------------------------------|-----------------------|---------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Donations and gifts | 1,003,980 | 1,074,545 | 2,078,525 | 1,192,146 |
| Grants receivable for core activities | 425,871 | - | 425,871 | 261,385 |
| | <u>1,429,851</u> | <u>1,074,545</u> | <u>2,504,396</u> | <u>1,453,531</u> |
| For the year ended 31 December 2016 | <u>783,462</u> | <u>670,069</u> | | <u>1,453,531</u> |

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

4 Charitable activities:

| | Biodiversity Programme | Climate & Energy Programme | Climate & Forests Programme | Strategic Litigation Programme | Environmental Justice Programme | China Programme | Total 2017 | Total 2016 |
|--------------------------------------------|------------------------|----------------------------|-----------------------------|--------------------------------|---------------------------------|-----------------|------------|------------|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Income within charitable activities | 1,092,847 | 503,299 | 1,092,497 | 4,631,087 | 653,658 | 939,393 | 8,912,781 | 5,848,587 |
| Analysis by fund | | | | | | | | |
| Unrestricted funds | 1,307 | 430 | - | 60,545 | 1,324 | - | 63,606 | |
| Restricted funds | 1,091,540 | 502,869 | 1,092,497 | 4,570,542 | 652,334 | 939,393 | 8,849,175 | |
| | 1,092,847 | 503,299 | 1,092,497 | 4,631,087 | 653,658 | 939,393 | 8,912,781 | |
| For the year ended 31 December 2016 | | | | | | | | |
| Unrestricted funds | 16,909 | 3,499 | 19,025 | 28,424 | 421 | - | 68,278 | |
| Restricted funds | 1,136,948 | 740,903 | 1,365,100 | 2,300,638 | 141,458 | 95,262 | 5,780,309 | |
| | 1,153,857 | 744,402 | 1,384,125 | 2,329,062 | 141,879 | 95,262 | 5,848,587 | |

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

5 Investments

| | 2017 | 2016 |
|---------------------|-------------|-------------|
| | £ | £ |
| Interest receivable | 150 | 258 |
| | <u>150</u> | <u>258</u> |

6 Other income

| | 2017 | 2016 |
|--------------|---------------|--------------|
| | £ | £ |
| Other income | 11,529 | 9,138 |
| | <u>11,529</u> | <u>9,138</u> |

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

7. Charitable activities:

| | Costs of generating funds | Biodiversity Programme | Climate & Energy Programme | Climate & Forests Programme | Strategic Litigation Programme | Environmental Justice Programme | China Programme | Governance costs | Support Costs | 2017 Total | 2016 Total |
|-------------------------------------------------------|---------------------------|------------------------|----------------------------|-----------------------------|--------------------------------|---------------------------------|-----------------|------------------|---------------|------------------|------------------|
| Expenditure | | | | | | | | | | | |
| Personnel and recruitment | 329,897 | 973,280 | 494,222 | 819,801 | 1,887,900 | 175,528 | 320,289 | 13,486 | 460,581 | 5,474,924 | 4,158,734 |
| Consultants, external assistance and sub grants | 365,586 | 76,590 | 23,574 | 243,431 | 328,932 | 23,972 | 113,047 | 478 | 28,053 | 1,203,663 | 1,312,051 |
| Travel, events and meetings | 57,146 | 31,294 | 23,245 | 118,486 | 127,813 | 4,028 | 101,426 | 54,338 | 80,086 | 597,602 | 542,890 |
| Publications, subscriptions, memberships and training | 7,567 | 27,432 | 10,033 | 36,596 | 59,553 | 5,569 | 4,508 | 173 | 6,158 | 157,589 | 190,645 |
| Premises and office running costs | 41519 | 138,184 | 88,378 | 125,970 | 250,416 | 27,230 | 49,134 | 2,280 | 65,985 | 739,096 | 792,495 |
| Accounting and professional fees | 3,337 | 10,011 | 6,118 | 7,786 | 19,466 | 1,669 | 7,995 | 58,020 | 18,448 | 132,850 | 81,578 |
| Litigation costs | 2,315 | 6,948 | 4,371 | 5,402 | 507,501 | 1,157 | 1,543 | - | 3,473 | 532,710 | 392,870 |
| Bank charges | 2,400 | - | - | - | - | - | - | 6,386 | - | 8,786 | 15,572 |
| Exchange rate gains/(losses) | 894 | 2,681 | 3,260 | 2,085 | 5,212 | 447 | 596 | - | 1,340 | 16,515 | 134,210 |
| Depreciation | 1,665 | 4,995 | 3,052 | 3,885 | 9,712 | 832 | 1,110 | - | 2,497 | 27,748 | - |
| Overhead recharge | (66,694) | 5,389 | (13,209) | 56,221 | 97,974 | 9,118 | 11,262 | - | (100,041) | - | - |
| | 745,572 | 1,276,724 | 643,044 | 1,419,663 | 3,294,279 | 249,550 | 610,910 | 135,161 | 566,580 | 8,941,483 | 7,352,625 |
| Support Costs allocated to activities | 33,994 | 113,316 | 67,990 | 84,987 | 220,966 | 16,997 | 28,330 | - | (566,580) | - | - |
| Governance Costs allocated to activities | - | 28,384 | 16,219 | 24,329 | 56,768 | 4,055 | 5,406 | (135,161) | - | - | - |
| Total | 779,566 | 1,418,424 | 727,253 | 1,528,979 | 3,572,013 | 270,602 | 644,646 | - | - | 8,941,483 | 7,352,625 |

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) *FOR THE YEAR ENDED 31 DECEMBER 2017*

8 Trustees

None of the trustees (or any persons connected with them) received any remuneration during the year. During the year £7,528 (2016: £5,997) of expenses were reimbursed to W McIntosh and £14,123 (2016: £nil) of expenses were reimbursed to D Greenberg relating to travel and accommodation costs for attending trustees meetings.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

9 Employees

Number of employees

The average monthly number employees during the year was:

| | 2017 Number | 2016 Number |
|-----------------------------|----------------|----------------|
| Restricted funds projects | 66 | 66 |
| Unrestricted funds projects | 37 | 17 |
| | <u>103</u> | <u>83</u> |

Employment costs

| | 2017 £ | 2016 £ |
|------------------------------------------|------------------|------------------|
| Wages and salaries | 4,613,746 | 3,632,615 |
| Social security costs | 349,312 | 307,248 |
| Other pension costs | 169,243 | 110,352 |
| Other employment related costs and temps | 342,623 | 108,519 |
| | <u>5,474,924</u> | <u>4,158,734</u> |

The number of employees whose annual remuneration was £60,000 or more were:

| | 2017 Number | 2016 Number |
|---------------------|----------------|----------------|
| £60,000 - £70,000 | 5 | 6 |
| £70,001 - £80,000 | 3 | 6 |
| £80,001 - £90,000 | 1 | - |
| £90,001 - £100,000 | 1 | - |
| £130,001 - £140,000 | 1 | - |
| £150,001 - £160,000 | - | 1 |
| £190,001 - £200,000 | 1 | - |
| | <u>1</u> | <u>-</u> |

Pension contributions for employees whose annual remuneration was £60,000 or more amounted to £63,614 (2016: £23,539).

Remuneration of key management personnel

The Key management personnel of ClientEarth comprises of the CEO. The remuneration of key management personnel, is as follows.

| | 2017 £ | 2016 £ |
|------------------------|----------------|----------------|
| Aggregate compensation | <u>232,093</u> | <u>155,000</u> |

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

10 Intangible fixed assets

| | Software £ |
|------------------------------------|---------------|
| Cost | |
| At 1 January 2017 | - |
| Additions - separately acquired | 52,750 |
| | <hr/> |
| At 31 December 2017 | 52,750 |
| | <hr/> |
| Amortisation and impairment | |
| At 1 January 2017 | - |
| Amortisation charged for the year | 1,758 |
| | <hr/> |
| At 31 December 2017 | 1,758 |
| | <hr/> |
| Carrying amount | |
| At 31 December 2017 | 50,992 |
| | <hr/> <hr/> |
| At 31 December 2016 | - |
| | <hr/> <hr/> |

11 Tangible fixed assets

| | Fixtures, fittings & equipment £ | Computers £ | Total £ |
|------------------------------------|-------------------------------------------|----------------|-------------|
| Cost | | | |
| Additions | 31,386 | 188,044 | 219,430 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2017 | 31,386 | 188,044 | 219,430 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation and impairment | | | |
| Depreciation charged in the year | 2,092 | 23,899 | 25,991 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2017 | 2,092 | 23,899 | 25,991 |
| | <hr/> | <hr/> | <hr/> |
| Carrying amount | | | |
| At 31 December 2017 | 29,294 | 164,145 | 193,439 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

12 Financial instruments

| | Group 2017 £ | 2016 £ | Company 2017 £ | 2016 £ |
|-------------------------------------------------|--------------------|-------------|----------------------|-------------|
| Carrying amount of financial assets | | | | |
| Debt instruments measured at amortised cost | 3,778,097 | 1,639,972 | 3,741,802 | 1,591,795 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Carrying amount of financial liabilities | | | | |
| Measured at amortised cost | 408,140 | 157,327 | 393,463 | 146,333 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

13 Debtors

| | 2017 | 2016 |
|---------------------------------------------|------------------|------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| GROUP | | |
| Other debtors | 34,425 | 26,536 |
| Prepayments and accrued income | 2,147,791 | 1,780,421 |
| | <u>2,182,216</u> | <u>1,806,957</u> |
| | | |
| PARENT CHARITY | | |
| Other debtors | 34,425 | 26,536 |
| Prepayments and accrued income | 2,139,090 | 1,775,626 |
| | <u>2,173,515</u> | <u>1,802,162</u> |

14 Other creditors falling due within one year

| | 2017 | 2016 |
|------------------------------|----------------|----------------|
| | £ | £ |
| GROUP | | |
| Other creditors | 573,456 | 321,970 |
| Accruals and deferred income | 44,787 | 33,720 |
| | <u>618,243</u> | <u>355,690</u> |
| | | |
| PARENT CHARITY | | |
| Other creditors | 558,779 | 310,976 |
| Accruals and deferred income | 44,787 | 33,720 |
| | <u>603,566</u> | <u>344,696</u> |

15 Retirement benefit schemes

Defined contribution schemes

The charity operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the charity in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £169,243 (2016: £85,476).

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

16 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

| Group and Parent | Movement in funds | | | Balance at 31/12/17 |
|-------------------------------------------------------------------|---------------------|--------------------|--------------------|---------------------|
| | Balance at 1/1/2017 | Incoming resources | Resources expended | |
| | £ | £ | £ | £ |
| Adessium Foundation - Fisheries | 65,530 | 119,805 | (105,555) | 79,780 |
| Arcadia Fund | 148,132 | - | (148,132) | - |
| Calouste Gulbenkian Foundation - Marine CoLABoration | - | 20,000 | (10,105) | 9,895 |
| Calouste Gulbenkian Foundation - Brexit fisheries | - | 50,000 | (22,542) | 27,458 |
| European Environmental Initiative | 4,747 | 25,584 | (27,212) | 3,119 |
| Kestrelman Trust - Wildlife | 15,629 | 45,000 | (18,978) | 41,651 |
| Global Greengrants Fund | 79,230 | 154,192 | (134,647) | 98,775 |
| Membership contributions to the UK Sustainable Seafood Coalition | 4,482 | 30,908 | (20,128) | 15,262 |
| Oak Foundation | - | 40,000 | - | 40,000 |
| Pig Shed Trust | 41,159 | 150,000 | (151,316) | 39,843 |
| Funding Fish | 62,151 | 200,000 | (205,678) | 56,473 |
| Sir John Fisher Foundation | 13,948 | - | (13,948) | - |
| SumOfUs | 15,087 | - | (235) | 14,852 |
| Walton Family Foundation | 18,347 | 186,050 | (190,941) | 13,456 |
| Waterloo Foundation | 5,000 | 50,000 | (28,000) | 27,000 |
| Old growth forests donations | - | 10,000 | (428) | 9,572 |
| Marine protection and plastics donation | - | 75,000 | (18,756) | 56,244 |
| Brexit wildlife donations | - | 5,000 | - | 5,000 |
| Polish wildlife donations | - | 5,000 | (5,000) | - |
| Ashden Trust | 57,054 | 75,000 | (78,899) | 53,155 |
| European Climate Foundation - EU Governance (2016) | 7,913 | - | (7,913) | - |
| European Climate Foundation - EU Energy Efficiency (2016) | 3,192 | - | (3,192) | - |
| European Climate Foundation - EU State Aid (2016) | 1,300 | (1,300) | - | - |
| European Climate Foundation - Poland Energy Efficiency (2016) | 2,681 | (403) | (2,278) | - |
| European Climate Foundation - EU Internal Energy Market | - | 51,948 | (57,269) | (5,321) |
| European Climate Foundation - EU State Aid | - | 50,916 | (53,086) | (2,170) |
| European Climate Foundation - EU Governance and Energy Efficiency | - | 57,689 | (61,026) | (3,337) |
| European Climate Foundation - Poland Coal | - | 133,350 | (143,284) | (9,934) |
| European Climate Foundation - Poland Energy Efficiency | - | 44,285 | (44,058) | 227 |
| European Climate Foundation - Poland Energy Sector | - | 55,458 | (58,442) | (2,984) |
| European Climate Foundation - Poland More than Energy | - | 16,253 | (16,972) | (719) |
| Sub total | 545,582 | 1,649,735 | (1,628,020) | 567,297 |

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

16 Restricted funds

(Continued)

| | Balance at 1/1/2017 | Incoming resources | Resources expended | Balance at 31/12/17 |
|---------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|-----------------------|------------------------|
| | £ | £ | £ | £ |
| Brought forward from previous page | 545,582 | 1,649,735 | (1,628,020) | 567,297 |
| German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety - European Climate Initiative (EUKI) | - | - | (794) | (794) |
| Heinrich Böll Foundation | - | (327) | 327 | - |
| Kestrelman Trust – Clean Air | - | 20,000 | (20,000) | - |
| Bacon Foundation | - | 100,096 | (38,947) | 61,149 |
| JMG Foundation | 25,845 | - | (21,178) | 4,667 |
| Kestrelman Trust - Forests | - | 10,000 | (7,815) | 2,185 |
| Natural Resources Defense Council (NRDC) | - | 19,600 | (15,116) | 4,484 |
| Partnership For Policy Integrity (PFPI) | - | 19,600 | (14,870) | 4,730 |
| SEM Trust | - | 23,000 | (5,309) | 17,691 |
| UK Department for International Development (DFID) via the International Institute for Environment and Development (IIED) | 9,882 | 137,731 | (115,648) | 31,965 |
| UK Department for International Development (DFID) | 476,530 | 782,470 | (1,050,041) | 208,959 |
| Clean air legal strategies donation | - | 75,000 | (34,688) | 40,312 |
| City Bridge Trust | - | 37,500 | (33,073) | 4,427 |
| Children's Investment Fund Foundation - Climate Litigation | 338,895 | 1,810,856 | (1,899,759) | 249,992 |
| Children's Investment Fund Foundation - Climate Litigation, external costs | 291,074 | 1,053,623 | (426,486) | 918,211 |
| Children's Investment Fund Foundation - Air Quality Campaign | - | 93,000 | (45,440) | 47,560 |
| Chris Hohn Foundation - Air Quality | - | 124,000 | (245) | 123,755 |
| Chris Hohn Foundation - Strategic Climate Litigation | - | 260,000 | - | 260,000 |
| Chris Hohn Foundation - Strategic Climate Litigation, external costs | - | 366,000 | (23,332) | 342,668 |
| Clean Air campaign donations | 4,813 | 20,000 | (24,813) | - |
| Finance Dialogue via WWF-UK | - | 5,340 | (5,425) | (85) |
| Frederick Mulder Foundation | 27,625 | 25,000 | (37,869) | 14,756 |
| Friends Provident Foundation | 19,000 | 57,000 | (93,854) | (17,854) |
| KR Foundation via the Oxford University's Smith School | - | 129,668 | (83,189) | 46,479 |
| Pickwell Foundation | - | 25,000 | (15,198) | 9,802 |
| Poisoned Playgrounds Campaign donations | - | 8,270 | (8,270) | - |
| Postcode Green Trust | - | 250,000 | - | 250,000 |
| Sainsbury Family Charitable Trusts (Mark Leonard Trust/Ashden Trust/JJ Charitable Trust) | 33,813 | - | (33,813) | - |
| Sainsbury Family Charitable Trusts (Mark Leonard Trust/Ashden Trust/JJ Charitable Trust - Finance | - | 30,000 | - | 30,000 |
| Tellus Mater Foundation | - | 50,000 | (25,000) | 25,000 |
| Sub total | 1,773,059 | 7,182,162 | (5,707,865) | 3,247,356 |

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

16 Restricted funds

(Continued)

| | Balance at 1/1/2017 | Incoming resources | Resources expended | Balance at 31/12/17 |
|----------------------------------------------------------|------------------------|-----------------------|-----------------------|------------------------|
| | £ | £ | £ | £ |
| Brought forward from previous page | 1,773,059 | 7,182,162 | (5,707,865) | 3,247,356 |
| The Sunrise Project | - | 100,000 | (1,400) | 98,600 |
| Trust for London | 45,626 | 133,000 | (118,601) | 60,025 |
| Wallace Global Fund | - | 48,159 | (38,382) | 9,777 |
| Wallace Global Fund - Climate Finance | - | 22,396 | - | 22,396 |
| Adessium Foundation - Aarhus Centre | 10,781 | - | (10,781) | - |
| Children's Investment Fund Foundation via Green Alliance | - | 96,850 | (21,544) | 75,306 |
| Esmée Fairbairn Foundation - Brexit | - | 269,425 | (21,116) | 248,309 |
| European Commission DG Environment (LIFE programme) | - | 150,931 | (59,102) | 91,829 |
| Funders for Fair Trade | - | 115,128 | (108,185) | 6,943 |
| Kenneth Miller Trust | - | 20,000 | (12,837) | 7,163 |
| Children's Investment Fund Foundation- China | - | 664,739 | (636,064) | 28,675 |
| Chris Hohn Foundation- China | - | 200,000 | - | 200,000 |
| Rockefeller Brothers Fund | - | 74,655 | (2,487) | 72,168 |
| Blue Haven Initiative - core | 160,400 | - | (160,400) | - |
| Blue Haven Initiative - fundraising | 144,261 | - | (144,261) | - |
| Children's Investment Fund Foundation - core | - | 433,700 | (416,700) | 17,000 |
| Chris Hohn Foundation - core | - | 182,000 | (83,773) | 98,227 |
| Esmee Fairbairn Foundation - core | - | 230,575 | (230,575) | - |
| Sub total | 2,134,127 | 9,923,720 | (7,774,073) | 4,283,774 |

Incoming resources from generated funds

Biodiversity programme

Adessium Foundation - Fisheries

Support for the project on the EU legal framework for fisheries control and illegal, unreported and unregulated (IUU) fishing.

Arcadia Fund

Support the charity's wildlife work.

Calouste Gulbenkian Foundation - Marine CoLABoration

Support to participate in and contribute to the Marine CoLABoration initiative.

Calouste Gulbenkian Foundation – Brexit fisheries

Support to influence UK environmental policy to ensure sustainable fisheries management in the waters around the UK.

European Environment & Health Initiative

Support for the better regulation of endocrine disruptor chemicals (EDCs) as part of the organisation's harmful chemicals initiative.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

16 Restricted funds

(Continued)

Kestrelman Trust – Wildlife

Support the charity's wildlife work in Poland including legal interventions in defence of the Bialowieza forest.

Global Greengrants Fund

Support the charity's work on harmful chemicals with a focus on the enforcement and implementation of the EU Regulation on the Registration, Evaluation, Authorisation and restriction of Chemicals (REACH) and other related pieces of legislation.

Membership contributions to the UK Sustainable Seafood Coalition

Support for the Sustainable Seafood Coalition, a partnership of actors from all sectors of the UK seafood supply chain to advance seafood sustainability in the United Kingdom.

Oak Foundation

Support for the charity's wildlife work in Poland including legal interventions in defence of the Bialowieza forest.

Pig Shed Trust

Support for the advocacy work to secure strong implementation of the EU's reformed Common Fisheries Policy (CFP).

Funding Fish

Support for the advocacy work to secure strong implementation of the EU's reformed Common Fisheries Policy (CFP).

Sir John Fisher Foundation

Support for the coordination of the UK Sustainable Seafood Coalition.

SumOfUs

Support for legal support in relation to the EU ban on the use of certain neonicotinoid pesticides.

Walton Family Foundation

Support for sustainable seafood work in Spain and collaboration with the USA and internationally.

Waterloo Foundation

Support to influence UK environmental policy to ensure sustainable fisheries management in the waters around the UK.

Old growth forests donation

Support to engage with the initiative to create a new protected status for old growth forests across the European Union.

Marine protection and plastics donation

Support for the charity's work on marine protection, with a focus on scoping and development of legal strategies to tackle plastics pollution of the oceans.

Brexit wildlife donations

Support for legal strategies towards ensuring environmental protection in the context of the Brexit process.

Polish wildlife donations

Support for the charity's wildlife work in Poland including legal interventions in defence of the Bialowieza forest.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

16 Restricted funds

(Continued)

Climate and Energy programme

Ashden Trust

Support for the charity's work defending the UK Climate Change Act.

European Climate Foundation – EU Governance (2016)

To support the charity's legal strategy on Europe's 2030 Climate and Energy Package.

European Climate Foundation – EU Energy Efficiency (2016)

To support the charity's work on the legal framework governing energy efficiency at EU level.

European Climate Foundation – EU State Aid (2016)

To support the charity's legal and policy strategy contributing to Europe's decarbonisation of the power sector.

European Climate Foundation – Poland Energy Efficiency (2016)

To support the charity's work on the legal framework governing energy efficiency in Poland.

European Climate Foundation – EU Internal Energy Market

Support the development of legal strategy on the European Union's Internal Energy Market reform.

European Climate Foundation – EU State Aid

Support to ensure a state aid regime in the EU that enhances a low carbon transition.

European Climate Foundation – EU Governance and Energy Efficiency

Support to contribute legal analysis and thought leadership for a strong governance framework in the Winter Package that integrates the Efficiency First Principle

European Climate Foundation – Poland Coal

To facilitate the transition of the Polish energy sector and phase out coal.

European Climate Foundation – Poland Energy Efficiency

To support the charity's work on the legal framework governing energy efficiency in Poland.

European Climate Foundation – Poland Energy Sector

Support to promote the transition of coal to a renewable Polish energy sector.

European Climate Foundation – Poland More than Energy

Support to carry out a regulatory assessment of the proposed capacity market scheme in Poland.

German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety - European Climate Initiative (EUKI)

Support to ensure a state aid regime in Europe that enhances a low carbon transition.

Heinrich Böll Foundation

Support to organise media outreach and a conference around the regulatory assessment of the proposed capacity market scheme in Poland.

Kestrelman Trust – Clean Air

Support for the charity's campaign to tackle air pollution in Poland, with a special emphasis on tourist municipalities in the south of the country.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

16 Restricted funds

(Continued)

Climate and Forests programme

Bacon Foundation

Support to reduce the European Union's demand for biomass, which in turn will reduce the negative impact that this activity has on global deforestation.

JMG Foundation

Support for work on the implementation of the EU Timber Regulation in Eastern Europe.

Kestrelman Trust - Forests

Support for work on the implementation of the EU Timber Regulation in Eastern Europe.

Natural Resources Defense Council (NRDC)

Support to reduce the European Union's demand for biomass, which in turn will reduce the negative impact that this activity has on global deforestation.

Partnership For Policy Integrity (PFPI)

Support to reduce the European Union's demand for biomass, which in turn will reduce the negative impact that this activity has on global deforestation.

SEM Trust

Support to reduce the European Union's demand for biomass, which in turn will reduce the negative impact that this activity has on global deforestation.

UK Department for International Development (DFID) via the International Institute for Environment and Development (IIED)

Support as part of a consortium for the CoNGOs project: NGOs collaborating for equitable and sustainable community livelihoods in Congo Basin forests.

UK Department for International Development (DFID)

Support for the climate and forests programme through DFID's Forest Governance Markets and Climate (FGMC) Programme.

Strategic Litigation programme

Clean air legal strategies donation

Support to clean air UK legal strategies.

City Bridge Trust

Support the engagement activities to promote the improvement of air quality in London amongst businesses.

Children's Investment Fund Foundation – Climate Litigation

Support for legal actions aimed at accelerating the transition to low carbon living in Europe, through reducing emissions from existing coal plants, improving air quality and reducing emissions from the corporate sector.

Children's Investment Fund Foundation – Climate Litigation, external costs

Support for legal actions aimed at accelerating the transition to low carbon living in Europe, through reducing emissions from existing coal plants, improving air quality and reducing emissions from the corporate sector.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

16 Restricted funds

(Continued)

Children's Investment Fund Foundation – Air Quality Campaign

Support to broaden public engagement in air quality in the UK.

Chris Hohn Foundation – Air Quality

Support for legal actions aimed at accelerating the transition to low carbon living in Europe, through improving air quality.

Chris Hohn Foundation – Strategic Climate Litigation

Support the charity's high impact climate change work and to allow the development of the charity as a strategic partner of CHF and CIFF in delivering high impact climate change strategies.

Chris Hohn Foundation – Strategic Climate Litigation, external costs

Support the litigation and finance litigation costs in high impact climate change areas.

Clean Air campaign donations

Support for air quality campaign activities in the UK.

Finance Dialogue via WWF-UK

Support to expand the legal interventions of the charity's climate finance work.

Frederick Mulder Foundation

Support to develop legal approaches on climate damages and climate accountability.

Friends Provident Foundation

Support for research and engagement with financial professional advisors on climate risk.

KR Foundation via the Oxford University's Smith School

Support to the Commonwealth Climate and Law Initiative project on director's duties.

Pickwell Foundation

Support to develop legal approaches on climate damages and climate accountability.

Poisoned Playground Campaign donations

Support to broaden public engagement in air quality in the UK.

Postcode Green Trust

Support for air quality campaign activities in the UK.

Sainsbury Family Charitable Trusts (Mark Leonard Trust/Ashden Trust/JJ Charitable Trust)

Support to the charity's climate finance and climate accountability work.

Sainsbury Family Charitable Trusts (Mark Leonard Trust/Ashden Trust/JJ Charitable Trust - Finance

To supports the charities climate finance work on pensions and Divest Invest initiative.

Tellus Mater Foundation

Support to expand the charity's climate finance work and engage with divestment-investment strategies.

The Sunrise Project

Support to raise awareness on climate risk and disclosure and management duties by the insurance sector.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

16 Restricted funds

(Continued)

Trust for London

Support for a campaign for the adoption and implementation of a Clean Air Zone for London.

Wallace Global Fund

Support to develop legal strategies to promote action on climate change.

Wallace Global Fund – Climate Finance

To supports the charities climate finance work on pensions and Divest Invest initiative.

Environmental Justice programme

Adessium Foundation – Aarhus Centre

Support for the 'Aarhus Centre' project to further develop the Brussels-based EU Aarhus Centre, which aims to promote the accountability, transparency and good governance of EU institutions to ensure that citizens are able to exercise their rights as gran

Children's Investment Fund Foundation via Green Alliance

Support the charity's work to protect the UK environment in the context of Brexit.

Esmée Fairbairn Foundation - Brexit

Support the charity's work to protect the UK environment in the context of Brexit and more generally.

European Commission DG Environment (LIFE programme)

Support to an Education and Awareness Raising of Legal Professionals on Access to Justice project with Justice and Environment (J&E).

Funders for Fair Trade

Support from a coalition of funders for the charity's work to ameliorate the environmental impacts of EU and international trade.

Kenneth Miller Trust

Support the charity's work to protect the UK environment in the context of Brexit.

China programme

Children's Investment Fund Foundation- China

Support for the development and activities of the China Environmental Governance project.

Chris Hohn Foundation- China

Support for the development and activities of the China Environmental Governance project.

Rockefeller Brothers Fund

Support for a Friends of the Court Fund in China.

Restricted core grants

Blue Haven Initiative - core

Support towards the charity's core costs, including inter alia the Deputy CEO post and associated costs.

Blue Haven Initiative - fundraising

Support towards the operations of a US fundraising effort by the charity.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

16 Restricted funds

(Continued)

Children's Investment Fund Foundation - core

Support towards the charity's core costs to advance organisational effectiveness.

Chris Hohn Foundation - core

Support towards the charity's core costs to advance organisational effectiveness.

Esmée Fairbairn Foundation - core

To support the charity's core costs in support of UK work.

17 Analysis of net assets between funds

| | Unrestricted funds £ | Restricted funds £ | Total £ |
|-------------------------------------------------------|----------------------------|--------------------------|------------------|
| Fund balances at 31 December 2017 are represented by: | | | |
| Intangible fixed assets | 50,992 | - | 50,992 |
| Tangible assets | 193,439 | - | 193,439 |
| Current assets/(liabilities) | 1,023,871 | 4,283,774 | 5,307,645 |
| | <u>1,268,302</u> | <u>4,283,774</u> | <u>5,552,076</u> |

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

18 Operating lease commitments

At the reporting end date the charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2017 £ | 2016 £ |
|----------------------------|------------------|----------------|
| Within one year | 464,244 | 337,983 |
| Between two and five years | 878,311 | 49,435 |
| | <u>1,342,555</u> | <u>387,418</u> |

19 Related party transactions

During the year the charity received five restricted grants totalling £4,152,768 from the Children's Investment Fund Foundation (CIFF), a foundation of which Sonia Medina Gomez (a trustee) is an employee. Sonia Medina Gomez sits on ClientEarth's board of trustees as the representative of CIFF.

During the year the charity received two restricted grants totalling £105,000 from The Ashden Trust (2016: £125,000) a trust of which Sarah Butler-Sloss (a trustee) is also a trustee.

During the year the charity received an unrestricted grant of £117,237 from The McIntosh Foundation (2016: £107,855), a foundation of which Winsome McIntosh (a trustee) is also a trustee.

During the year the charity received an unrestricted grant of £150,000 from The J. Van Mars Foundation (2016: £150,000), a foundation of which the members of the band Coldplay (patrons) are trustees.

During the year the charity received an unrestricted grant of £15,000 from The Martin Smith Foundation (2016: £nil), a foundation of which Sir Martin Smith (a trustee) is also a trustee.

During the year the charity received an unrestricted donation of £45,000 (2016: £15,000) from Opal Ltd, a company of which Brian Eno (a trustee) is also a director.

During the year the charity received a total of £31,786 in unrestricted donations from trustees and their related parties.

During the year a book titled *Client Earth* was published telling the story of ClientEarth to date, and was promoted by the charity. This book was commissioned by the McIntosh Foundation, a foundation of which Winsome McIntosh (a trustee) is also a trustee, and co-authored by James Thornton, the Chief Executive Officer, and Martin Goodman, his husband. No author's advance was received by either co-author, and any author royalties received in future will be donated to the charity (2017: £nil).

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

20 Subsidiaries

The following subsidiaries are all charitable entities with no share capital, and are all consolidated in these accounts

Details of the charity's subsidiaries at 31 December 2017 are as follows:

| Name of undertaking | Registered office | Nature of business | % Held |
|---------------------|------------------------------------------------------------|--------------------|--------|
| ClientEarth Poland | Zurawia 45 (staircase B, 2nd floor), 00-680 Warsaw, Poland | Charity | 100.00 |
| Client Earth France | 86, boulevard Raspail, 75006 Paris, France | Dormant | 100.00 |

ClientEarth became active in China as a Wholly Foreign-Owned Enterprise (WFOE) in 2017 and was 100% subsidiary until 30 June 2017. The entity was then converted into a branch of ClientEarth and is included within the parent's results.

| 21 Cash generated from operations | 2017 £ | 2016 £ |
|-------------------------------------------------------------------|------------------|------------------|
| Surplus/(deficit) for the year | 2,487,373 | (41,111) |
| Adjustments for: | | |
| Investment income recognised in statement of financial activities | (150) | (258) |
| Depreciation and impairment of tangible fixed assets | 27,749 | - |
| Movements in working capital: | | |
| (Increase) in debtors | (375,259) | (862,316) |
| Increase/(decrease) in creditors | 262,553 | (69,780) |
| Cash generated from/(absorbed by) operations | 2,402,266 | (973,465) |

