

Charity Registration No. 1053988

Company Registration No. 2863827 (England and Wales)

**CLIENTEARTH**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

# CLIENTEARTH

## LEGAL AND ADMINISTRATIVE INFORMATION

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<b>Trustees</b>	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 H Bruhn	(Appointed 28 September 2018)
<b>Secretary</b>	BWB Secretarial Limited	
<b>Charity number</b>	1053988	
<b>Company number</b>	2863827	
<b>Principal address</b>	The Hothouse 274 Richmond Road London E8 3QW	
<b>Registered office</b>	10 Queen Street Place London EC4R 1BE	
<b>Auditor</b>	Arram Berlyn Gardner LLP 30 City Road London EC1Y 2AB	

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# CLIENTEARTH

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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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 2018. 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

ClientEarth is a non-profit environmental law group, using the power of the law to protect people and the planet. The organisation opened in 2007, led by environmental lawyer and founding CEO James Thornton, and has been named the UK's most effective environmental organisation.

We have more than 90 legal programme staff, working in our offices in London, Brussels, Warsaw, Beijing, Madrid and Berlin and taking action in more than 25 countries across four continents in order to fight against climate change and to protect nature.

#### 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 power of the law to protect people and the planet.

#### 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.

#### What we do

We use the power of 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

#### Where we work

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

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#### The life cycle of the law

ClientEarth works to protect the environment and people through the life cycle of the law from science to implementation and enforcement:

**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.

#### Our strategy: responding to global environmental challenges

Our five year strategy identifies seven urgent global environmental challenges. In 2018, the second year of the strategy, we continued to bring the power of the law to respond to these challenges through a series of initiatives:

##### **CHALLENGE: Rule of law**

1. Justice and governance
2. International trade

##### **CHALLENGE: Climate and the Paris agreement**

3. Climate accountability
4. Climate finance

##### **CHALLENGE: Energy transition**

5. Coal
6. Energy markets

##### **CHALLENGE: Pollution and health**

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

##### **CHALLENGE: Forests**

9. Forests and land conversion
10. Forests and trade

##### **CHALLENGE: Oceans protection**

11. Marine habitats
12. Fisheries and seafood

##### **CHALLENGE: Wildlife protection**

13. Wildlife and habitat loss

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#### 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.

#### Achievements and performance

In 2018 ClientEarth recognised the following achievements and performance:

1. **Clean air:** We won against the UK government for the third time in three years over the country's illegal and harmful levels of air pollution, with the ruling cementing ClientEarth's position as the key legal expert on UK air pollution. We also saw victory in Germany's highest national court, with judges ruling that German cities have an obligation to introduce diesel restrictions with immediate effect. Already, bans have been mandated by courts in Stuttgart, Munich, Düsseldorf, Aachen, Frankfurt, Bonn, Cologne and the capital, Berlin. Consumers are responding to diesel bans, changing their purchasing patterns, with year-on-year diesel sales down by nearly 20%.
2. **Climate and Poland energy:** We launched the world's first shareholder litigation over the failure of the controversial Ostrołęka C 1GW coal-fired power station project in Poland to manage material climate risk when making a major investment decision. As minority shareholders we voted against proceeding with the plant because the company directors were failing to meet their legal duty to act with due diligence and were taking excessive and unnecessary risks against the company's interest by investing in a project that is predicted to be permanently unprofitable.
3. **UK Environment and Brexit:** Following extensive work and in collaboration with the Greener UK coalition, we ensured that the environment was part of the Brexit debate. The UK's EU Withdrawal Act now guarantees a new green watchdog will be established to hold government to account on its environmental commitments, and fundamental environmental principles like the precautionary principle will be put into domestic law. At the end of 2018, the government published draft legislation to establish the Office for Environmental Protection (OEP), to be tasked with enforcing environmental law domestically.
4. **Harmful chemicals:** ClientEarth challenged the European Commission's decision to authorise the use of lead chromate, an extremely dangerous chemical for which safer alternatives exist. For the first time, an EU member state (Sweden) has formally intervened in support of our case, and another is supporting our position informally. This reverses the typical scenario where member states usually intervene against NGOs.

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5. **Environmental democracy in the EU:** The Grand Chamber of the Court of Justice of the European Union (CJEU), gathering 15 judges instead of the usual three, found in favour of ClientEarth ruling that the European Commission must make public the impact assessments that support its policies and decision-making. This precedent-setting judgment was the culmination of a four-year battle and has far-reaching consequences for citizens' rights to hold policymakers to account and participate in decision-making.

6. **China:** In July, we hosted Laurent Fabius and other Supreme Court Justices from around the world in high-level seminars and trainings for 300 environmental judges and 80 environmental prosecutors from all over China. The Supreme People's Procuratorate has thanked ClientEarth for their capacity building, which is bearing fruit as procurators have brought over 47,847 legal challenges in the past few years following ClientEarth's training, mainly against government departments for violating environmental laws.

7. **Oceans:** ClientEarth engaged in the issue of ocean plastics during 2018, publishing *Risk unwrapped: plastic pollution as a material business risk*, which explained companies' legal obligation to manage and disclose the material business risks posed by plastic. Using the report as a platform for our action, we supported the development of new laws to reduce throwaway single-use plastics. European legislators were pushed to close loopholes in the proposed EU Directive.

8. **Forests:** ClientEarth launched a new international work stream focused on using forests to mitigate climate change (Reduced Emissions from forest Degradation and Deforestation – REDD+). We are using our long-standing partnerships in Ivory Coast, Liberia, Republic of Congo and Ghana to build the capacity of citizens to implement REDD+ primarily by promoting stronger national laws on forest conversion, land rights, community forest management, benefit sharing and carbon rights.

9. **Energy transition and coal:** We launched more than 25 legal challenges to coal plants, associated lignite mines, and their subsidies directly or by working with partners across Europe, including Germany, Serbia and Bosnia. Our challenges have resulted in a coal plant extension being blocked in Bulgaria, major changes to Bulgaria's energy subsidies law, and the re-opening of an investigation into Serbia's lack of an environmental impact assessment (EIA) for a huge coal mine expansion.

10. **Climate finance:** We pursued multiple complaints with financial regulators in the UK to pressure companies, insurance firms and auditors to treat climate change as a fundamental business risk. In August, we reported three insurance firms to the Financial Conduct Authority for failure to disclose climate risks in their annual reports, and in September, we reported four major UK companies to the Financial Reporting Council over failures to address climate change trends and risks in their reports to shareholders. Following our action, the Bank of England took the unprecedented step of telling boards of banks and insurers to 'take charge of managing climate-change risks and report to the board — or face consequences'.

#### Objectives and activities

A detailed review of our 2018 objectives and activities against the global challenges in our five year strategy is set out below.

#### 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 among civil society, decision-makers and industry by ensuring implementation and enforcement of the Aarhus Convention principles in the EU and Member States.*

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

We build awareness of the Aarhus Convention and the rights it confers on NGOs and the public and strengthen the capacity of the NGO community in exercising these rights. Our actions include supporting access to information requests to public authorities and EU institutions and litigation to ensure enforcement of the Convention's provisions.

Enforcement of the Aarhus principles: Our 2017 case - advocating for new legislation in compliance with the Aarhus Convention Compliance Committee's (ACCC) findings that the EU was in violation of the Aarhus Convention's access to justice provisions - has helped change the EU inter-institutional discussion about Aarhus rights. The European Commission was forced to justify its position on measures that should be adopted, and to ensure that members of the public have access to the Court of Justice of the European Union (CJEU). Notably, during 2018, the European Commission organised two public consultations on the need to comply with the ACCC's findings and is carrying out a study to identify different options to propose to the Council. This gives the NGO community, academics, judges, lawyers and the public at large the opportunity to stress the need for access to justice at EU level. We contributed to the public consultations and circulated our reply to the NGO community, academics and lawyers to ensure that a significant number of submissions were provided. In turn, this will increase the pressure applied to the European Commission to act and open up access to justice.

Access to justice: Our 2017 case challenging a European Commission Regulation on cars' emissions has resulted in the disputed provision being withdrawn from the Regulation. We are nevertheless still asking the CJEU to rule on our standing rights to bring such challenges, one of the key disputed issues in the case. If we win, it will help open up access to justice.

Access to information: In 2014, the European Commission withheld their impact assessments used to determine whether to legislate on access to justice in environmental matters (to implement the Aarhus Convention). We sought access to the impact assessments as well as annulment of the European Commission's decision not to disclose them. In 2018, we won the case before the Grand Chamber of the CJEU in a landmark ruling expounding broadly on principles of transparency and legitimacy in the EU. This important ruling will increase transparency in European Commission decision-making generally, and is not limited to its conduct in environmental matters. Specifically, the Court's ruling creates a presumption that impact assessments should be disclosed (published, without the need for a request) in the ordinary course. Access to impact assessments will allow civil society to scrutinise the scientific and economic evidence relied on by the European Commission and to question the evidence, as well as the European Commission's decision on whether to recommend legislation.

We submitted two complaints to the EU Ombudsman regarding the European Commission's refusal to disclose information on Member State implementation of the (Fisheries) Control Regulation. These cases are on-going, and we expect results in 2019. As well as supporting greater scrutiny of fisheries practices, this work ensures systemic behavioural change on the part of the EU officials regarding transparency.

In response to a ClientEarth complaint about potentially toxic nanomaterials, in 2018 the EU Ombudsman found the European Commission guilty of maladministration over failures to disclose information to consumers about nanomaterials in cosmetic products. In 2018, we supported requests for documents from the European Commission on the use of lead chromate, a substance of very high concern that is used to make paint, for which there are safer alternatives. We await the European Commission's final decision on this request in 2019. We also brought litigation against the European Commission's decision to authorise the use of lead chromate; Sweden formally intervened in support of our case, and another Member State is supporting our position informally reversing the typical scenario where Member States usually intervene *against* NGO challenges.

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During 2019, we will coordinate a response to the European Commission's public consultation on Aarhus compliance, increasing pressure on the European Commission to amend the Aarhus Regulation. We will also follow up on our successful Grand Chamber ruling to ensure it is correctly implemented and continue to challenge decisions that we consider to be in breach of EU and international law, submitting complaints to the EU Ombudsman as appropriate. We will follow up on our decisive win before the EU Ombudsman to ensure the European Commission provides EU consumers with information on nanomaterials, enabling them to make informed consumer choices. Finally, we will continue our EU LIFE-funded EARL project to increase awareness and understanding among the legal community and the public in general about access to justice rights (specifically working in France and in Poland).

#### **Justice and governance in China**

Objective: Facilitate robust systems for environmental justice and governance

*ClientEarth China engages with the Chinese government to put in place robust systems for environmental justice and governance, in order to protect human health, climate and ecosystems.*

China is the world's largest emitter of greenhouse gases and has severe air pollution. China is also linked to global environmental problems, such as high-carbon infrastructure investments, degradation of oceans and fisheries, and deforestation. While sustainability is a top priority of the Chinese government, much needs to happen to make this a reality. Lawmakers and the judiciary are eager to draw on international best practices, but they are overburdened. Since 2015, NGOs have been able to bring public interest cases, but they lack financial and human resources. ClientEarth engages with the Chinese government to deliver on its climate and environmental goals.

Better laws and their implementation: China's new permitting system, which ClientEarth has helped to shape since 2017, will facilitate law enforcement by regulators, prosecutors and NGOs. ClientEarth engaged with China's Ministry of Ecology through joint studies, overseas visits and training workshops, and gathered comments to strengthen transparency and accountability in the new permitting system.

Capacity of the judiciary: In 2018, the procuratorates (state prosecutors) at all levels have brought 47,847 challenges, mainly against government departments that violate environmental laws. New departments have been established to specialise in such cases. In 2018, we trained 300 environmental judges and 80 environmental prosecutors, organised a seminar with China's chief justice and justices from six continents, and conducted two overseas trainings and two overseas secondments for environmental judges and prosecutors. The Supreme People's Procuratorate has expressed thanks for such capacity building exchanges, which have facilitated the establishment of this new system of specialised departments.

Environmental public supervision: Together with a Chinese government-affiliated fund, we have established a fund for capacity building of environmental NGOs. The fund enables China's increasingly professional environmental NGOs to access financial assistance. The first grants were issued to Friends of Nature and All China Environment Federation. Over 60 applications for funding have been received.

In 2019, we will build on the positive cooperation with our key partners and scale up the level of financial support to Chinese NGOs, to strengthen environmental compliance and public oversight in China. We will work with China's securities regulator to develop mandatory environmental disclosure regulations for all stock-listed companies. In addition to pursuing stronger environmental governance within China, we will also be engaging with China in its ambition to play a positive role in global environmental governance, such as by greening the Belt and Road Initiative, and building a robust post-2020 framework for biodiversity protection.

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#### 2. International Trade

##### **European trade agreements**

Objective: Redress the balance between trade agreements 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 domestic court systems, yet this tool is not available to citizens or domestic investors.

Legality of the ISDS: ClientEarth has called for the legality of ISDS under EU law to be checked since 2015, and in 2017, Belgium asked the European Court of Justice (ECJ) its opinion. In 2018, ClientEarth encouraged Member States and the European Parliament to submit written observations and to make interventions during the hearing of the case, known as Opinion 1/17. The court decided the case was of exceptional importance and referred it to the full court so that all active judges at the Court of Justice of the European Union (CJEU) will participate in the deliberations. This is a positive result, as the case involves the European Commission's signature trade deal with Canada, and has significant legal implications for the future of ISDS in Europe. We also worked extensively on the European Commission's proposal to establish a Multilateral Investment Court (MIC), participating in sessions at the United Nations Commission on International Trade Law (UNCITRAL), the UN body tasked with considering reform of ISDS globally. We are advocating for meaningful, fundamental and structural reforms of the ISDS system.

Remove threats to environmental protection in EU trade policy: ClientEarth continued to push for greater transparency in EU trade policy to ensure the accountability of EU institutions. In case T-644/16 *ClientEarth v Commission*, the General Court ruled in the European Commission's favour, allowing a legal opinion on the legality of ISDS under EU law to be withheld. ClientEarth has appealed the decision.

Improve and reinforce environmental obligations in EU trade agreements: ClientEarth has advocated for stronger involvement of NGOs and members of the public in the monitoring and compliance of environmental obligations in the EU's trade and investment regime, as well as increasing the significance of those environmental obligations (notably stronger safeguards in the EU-Indonesia Free Trade Agreement on forestry to stop deforestation). Our efforts led the Directorate General on Trade - in charge of drafting and negotiating trade agreements - to demonstrate willingness to work closely with the Directorate General Environment in the negotiation and implementation of environmental obligations. Given the narrow trade perspective of Directorate General Trade in the past, this is a very positive development.

Capacity-building NGOs: ClientEarth has assisted other NGOs with specialist legal advice. For example, we submitted an amicus brief together with the Centre for International Environmental Law (CIEL) and European Center for Constitutional and Human Rights for Romanian NGOs before an arbitration tribunal where a Canadian investor is challenging the Romanian state over the blocking of development of a large gold mine, Rosia Montana.

In 2019, we await the decision on the legality of the ISDS and will examine opportunities to challenge the use of ISDS against the public interest. We will continue advocating for meaningful reform in the context of discussions on ISDS reform before UNCITRAL and will continue providing legal information and support to other NGOs faced with ISDS cases and other trade law related questions, particularly an intra-EU ISDS case over the development of a golf resort off the coast of Croatia. Finally, we will advocate a greener EU trade policy as members of the Trade Expert Group.

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#### **Brexit and beyond**

Objective: Ensure the UK's environmental law and governance reforms resulting from leaving the EU are robust, pioneering and exemplary

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

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 EU 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 to set the UK on a course towards restoring nature and creating a healthy environment.

Retain environmental legislation: The government committed to rolling over all existing EU law on the UK statute books upon leaving the EU. But the main law to do this, now the EU Withdrawal Act, suffered from serious shortcomings when the bill was introduced to Parliament. Together with Greener UK, we worked to improve the Withdrawal Act. Most significantly, the environmental community won a dedicated provision requiring the government to publish proposals by the end of 2018 to put fundamental environmental principles like the precautionary principle on a domestic legal footing, and to create a new body to monitor and enforce compliance with environmental law. The Act also has better procedural safeguards and clarifies the status of retained European case law.

Enforcement of environmental law: In 2017, we identified a looming governance gap and obtained parliamentary and government recognition of the problem. In 2018, the government consulted on a new environmental accountability body to replace the role of EU institutions. At the end of 2018, the government published draft legislation to establish an Office for Environmental Protection, to be tasked with enforcing environmental law domestically.

Robust new environmental legislation: Consistent with Greener UK's calls, the government also committed to an ambitious new environment act. We are leading thinking on how to make this legislation a robust and creative constitutional framework to make sure the natural world is better protected than ever before and that people enjoy a healthy environment.

In 2019, we will engage in the development of the Office of Environmental Protection, the environmental principles, new fisheries law and the new constitutional Environment Bill. We will also work to ensure that the UK's emerging trade policy and any future trade agreements do not undermine environmental protections.

#### **Climate and the Paris Agreement**

##### **3. Climate accountability**

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

*We want governments to establish national and regional climate laws, plans, policies and targets in line with the goals of the Paris Agreement, and to embed these in all levels of decision-making. We want corporate directors to develop Paris-aligned transition plans, corporate climate reporting to be mandatory and Carbon Majors to be at risk for liability due to their contribution to climate change.*

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Mitigating greenhouse gas emissions consistent with the Paris Agreement temperature goals 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 of the global economy away from a reliance on fossil fuels towards a zero-carbon economy.

For many governments, the economic and political incentives and legal obligations to reduce greenhouse gas emissions in line with scientific advice remain 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 owe any legal obligations in relation to climate change, from historical emissions or current business strategy.

Legal duties of States: In the UK in 2018, we monitored the UK Government's progress in preparing plans in line with the fourth and fifth carbon budgets under the Climate Change Act and assessed the clean growth strategy. We continued to contribute to the emerging field of climate litigation with a focus on raising the profile of event attribution science and its implications for climate litigation and liability. We co-authored an article in the *Journal of Energy and Natural Resources Law* 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. The analysis was used by barristers in the recent ground-breaking 'Rocky Hill case' in Australia, where for the first time the court found a causal link between a coal project's cumulative greenhouse gas emissions and climate change.

We gave expert evidence on the impact of event attribution science on climate change litigation to the national inquiry of the Philippines Commission on Human Rights into the human rights impacts of climate change. This is the first time that the Carbon Majors are being directly implicated in a quasi-judicial proceeding for their direct and indirect greenhouse gas emissions. It was therefore an important opportunity to influence the findings, which will play a significant role in the development of human rights law. We hope to see our practical recommendations adopted when the Commission releases its decision in June 2019.

We were approached by New Zealand's Parliamentary Commissioner for the Environment and provided an overview of the strengths and weaknesses of the UK Climate Change Act, which is often considered a model for climate change legislation. The New Zealand Ministry for the Environment commissioned us to provide an assessment of an early-stage draft Zero Emissions Bill. Again, we will know the outcome of this work in 2019.

Corporate management and reporting of climate risk: During 2018, we reported four major UK companies in the aviation, construction, industrial and oil and gas sectors to the Financial Conduct Authority (FCA) over failures to address climate change, and warned their auditors (PwC, KPMG, EY and Deloitte) of their duty to consider the same. We also initiated the world's first shareholder litigation over a failure to manage material climate risk when making a major investment decision against the controversial Ostrołęka C 1GW coal-fired power station project in Poland. As minority shareholders we voted against proceeding with the plant, because the company directors are failing to meet their legal duty to act with due diligence and not to take excessive and unnecessary risks against the company's interest by investing in a project that is predicted to be permanently unprofitable.

We also worked with partner NGOs and institutional investors to support shareholder resolutions and stronger climate commitments at BHP, RioTinto, Shell, BP and Glencore. We supported a group of ambitious institutional investors to bring corporate climate lobbying to the top of the engagement agenda by writing to 55 European companies about their climate lobbying practices. The announcements by the investors and companies have received significant attention in the global press, and have already sent a strong signal to the market that companies must evolve and begin to develop Paris-aligned business strategies.

In 2019, we will act against the worst performing States to drive them towards setting ambitious emissions targets in line with Paris obligations. We will also monitor fossil fuel company investment plans. In the UK, we will address implementation of the UK Climate Change Act at national and local level.

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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. To achieve the goals of the Paris Agreement, it is vital that investors use their shareholder rights to drive carbon intensive companies towards sustainable business models, and re-direct capital towards companies offering climate solutions. There has been significant progress in the last few years, but climate risk is still not treated as a material financial risk by the majority of financial institutions. 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 organisations' existing governance and risk management processes.

Management of climate risk by providers of contract-based pension plans: In 2018, we submitted a report with recommendations to the Financial Conduct Authority (FCA) regarding the management of climate-related risk by the providers of contract-based pensions. We received a prompt response from the FCA and were invited to a meeting with an executive board member and then to an FCA meeting on climate-related financial risk. The FCA has recently launched a consultation recognising many of the issues we raised.

Management of climate risk by pension funds: ClientEarth has been advocating for specific reference to financially material factors and climate change since 2016. In 2018, we wrote to 14 of the UK's largest pension funds setting out the way their fiduciary duty to manage climate risk is evolving, in line with developing market standards on how asset owners respond to the increasingly clear evidence of climate-related financial risk. We set out a clear action plan for them to consider adopting. We also supported a pension fund member in bringing a complaint to the Pensions Ombudsman for disclosure of documents demonstrating that his pension fund was considering and managing climate-related financial risk. As a result, an increased number of pension funds are considering climate-related risks and raising issues with their advisers. Additionally, revised regulations were issued in 2018 requiring pension trustees (from October 2019) to set out a policy on financially material considerations including climate change for investments.

Management and reporting of climate issues in the insurance sector: In 2018, we filed legal complaints against three insurance companies with the FCA for failing to disclose – and hence manage – climate-related risks in their annual reports. We are awaiting news of the outcome of our complaints. We have also written to Lloyds of London requesting that they address coal-related risks for all the assets backing the Lloyd's market.

During 2019, we will continue targeting companies and institutional investors (e.g., pensions, insurers) and those that advise them (e.g., auditors, asset managers, actuaries and investment consultants) in relation to material climate risk. We aim to continue driving a transformative shift in the financial sector in which actors recognise climate risk as a current and material financial risk. We will be looking for the first time at the obligations on those who advise retail investors to ask about client investment objectives, especially non-financial/ESG preferences.

#### Energy Transition

#### 5. Coal

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

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

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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 Organisation for Economic Cooperation and Development (OECD) must close unabated coal power plants by around 2030 and no new plants should be built.

In Europe there is 181.5 GW of coal generation capacity currently in operation in 28 countries, with another 86 GW planned for construction. This new coal generation is proposed or under construction in countries such as Poland, Germany and Greece, with most of the new coal capacity proposed in non-EU countries in the Western Balkans and, in particular, Turkey. Only nine of the 22 EU Member States with coal capacity have 2030 coal phase-out policies. We are working with and supporting international and local partners and the Europe Beyond Coal campaign to ensure that strong environmental standards apply to coal, to end public and private finance to invest in coal and to promote a just transition from coal to clean energy.

Coal phase-out commitments: 2018 saw new political commitments to coal phase-out. Ireland and Finland announced plans for coal phase-out, and France brought its coal phase-out forward again, from 2022 to 2021. Germany also launched a coal commission to determine an end-date for the burning of coal for power. The coal commission's report proposes a weak and gradual phase-out of coal in Germany ending in 2038. This is inconsistent with the need to phase-out coal in the OECD by 2030, and we will advocate for more ambition when it comes to implementing the phase-out in legislation. In the UK, the government published a report indicating its preferred approach for legally securing the 2025 coal phase-out by way of an emissions performance standard, an approach advocated by ClientEarth.

At least ten European coal-fired units had specific retirement dates announced in 2018. At the end of 2018, hard coal mines in countries including Spain, Germany, Romania and Germany (amongst others) closed down in compliance with the European Commission's decisions approving State aid for their closure.

Compliance with regulations: 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. Our partners in Spain and Bulgaria secured legal outcomes compelling the authorities to increase transparency and compliance with their Aarhus obligations by publishing environmental information that they previously attempted to keep secret. They also succeeded in blocking the extension of a coal plant due to its non-compliance with legal obligations.

Legal framework: We intervened in a case brought by the coal industry before the Court of Justice of the European Union (CJEU) challenging recently adopted EU-wide pollution standards for power plants (the best available techniques, BAT conclusions). The Court struck out the case due to the coal industry's lack of standing. This ensures that these important laws remain in force.

Scrutiny of coal subsidies: In 2018, we filed complaints and submissions with the European Commission in relation to unlawful State aid to coal plants in Spain and Bulgaria. We also saw amendments to a Bulgarian coal subsidies regime, which we had challenged in 2017.

In 2019, 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 finance support the transition to clean energy.*

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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, not open to efficient, flexible, clean and decentralised technologies, and large market players are still able to dominate and erect barriers to prevent 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. Many of these market failures are underpinned by complex and poorly implemented legislation.

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

**Strong legal frameworks:** During 2018, we continued our legal work on the various regulations and directives that form part of the EU's Clean Energy for All package. We successfully advocated for amendments to the Internal Energy Market Regulation and the Internal Energy Market Directive. We received positive feedback that our advocacy and legal support provided a valuable contribution in the political and technical negotiations. The agreed package reflects many of our key recommendations on distributions system operation, energy citizens, ACER and the EU distribution system operator entity, which should help pave the way for a flexible, consumer-centred, zero-carbon transition and better accountability of actors within the system.

**Scrutiny of financing for carbon-intensive resources:** In 2018, we continued to closely scrutinise unlawful State aid in countries such as Romania and Bulgaria. In response to one of our complaints to the European Commission filed in 2017 against unlawful State aid to power plants producing high-efficiency cogeneration (HECG) electricity in Bulgaria, the European Commission formally acknowledged the information provided and indicated that it had engaged in discussions with the Bulgarian government to ensure that the scheme is brought in line with State aid law. This written acknowledgment is unusual and very positive. In the same month, the Bulgarian authorities abolished the existing scheme and replaced it with a new scheme, which comes closer to meeting State aid requirements. We informed the European Commission of this new development and again received positive confirmation that this case is under their scrutiny.

**In 2019,** we will support the finalisation of the EU's Clean Energy for All package to ensure the rules adopted by EU legislators will promote the integration of energy markets, and the transition to a decentralised, low-carbon and consumer-centred energy system. To complement our work on the Market Design proposals, we will provide legal expertise and thought leadership on the next EU energy agenda and future legislative initiatives. We will also ensure that the implementation of the Clean Energy for All package at national level makes power systems fit for the smart energy transition and promotes penetration of low-carbon technologies into the electricity grid. We will 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. Finally, we will continue our efforts to ensure that public financing for carbon-intensive resources decreases, and public financing for sustainable and clean solutions increases.

#### **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 greenhouse gas emissions from highly polluting sectors.*

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Air pollution is the world's top environmental health risk: it 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 even the current legal air quality standards, meaning that most urban populations in the EU are exposed to levels of pollution far 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 (i.e., transport, domestic heating, industry, energy) are also major emitters of greenhouse gases.

Air pollution is becoming an increasing priority for governments in Europe, but 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 short-term costs of mitigation measures compared to the long-term health and financial benefits of better air quality. We address these barriers by putting pressure on governments to produce plans and programmes that achieve urgent compliance with air quality standards; increasing political will to adopt effective and enforceable legislation that reflects the impacts of air pollution; raising public awareness of air pollution and engendering demand for action and catalysing action on air pollution among key influencers, such as NGOs and industry.

Compliance with air quality standards: Across Europe, concentrations of PM<sub>10</sub>, PM<sub>2.5</sub> and NO<sub>2</sub> have continued to decrease in 2018, reducing the share of the urban population exposed to illegal levels of air pollution in the EU. In the UK, we won a third landmark case against the UK Government over the UK's illegal and harmful levels of air pollution. Justice Garnham ordered ministers to require local authorities to investigate and identify measures to address illegal levels of air pollution urgently in a further 33 towns and cities. ClientEarth was also granted extended liberty to apply to ensure effective oversight of the UK government's next air pollution plans.

In Germany, we enjoyed an overwhelming victory in the highest national court in February. Judges ruled that German cities have the power and duty to bypass national-level laws and introduce drastic restrictions on diesel vehicles to improve air quality and protect human health. The ruling of the German Federal Court triggered the anticipated domino effect and we have now obtained court orders to restrict access of diesel vehicles in all the main German cities, including Berlin, Munich, Frankfurt and Stuttgart.

In the Czech Republic, we secured a reversal on appeal of a lower court decision before the Supreme Court and, for the first time in Central and Eastern Europe, courts have quashed inadequate air quality plans in Prague, Brno, Ostrava and the Ustecky region. In November, we won the first clean air case in Slovakia, with the court ordering the adoption of a new air quality plan for the capital, Bratislava.

Political importance: Our work has led to air quality becoming a top political concern in the UK, with the Prime Minister twice forced to comment on our legal challenges at Prime Minister's Questions, several parliamentary enquiries being held on air pollution and air quality issues regularly featuring in the national media. Moreover, in July 2018 and reflecting our calls for a Clean Air Act, the Prime Minister acknowledged the need for new primary legislation and committed to including clean air provisions within the upcoming Environment Bill.

In Germany, our ground-breaking success before the Federal Administrative Court, and the domino effect it triggered, made air pollution firmly one of the top priorities of the government. In an attempt to avoid our court-imposed diesel bans, the Federal government established a €2 billion fund to help cities clean up the air. In an effort to meet EU air quality targets, five German cities are testing free public transport. Meanwhile, car manufacturers in Germany developed a hardware retrofit solution to improve environmental performance of diesel vehicles.

In Poland, under the pressure of increasing calls from the public, in part in response to our campaign, the Prime Minister, for the first time, made a direct reference to air quality in his first speech after being appointed, highlighting the importance of the issue. The Prime Minister also appointed a deputy responsible for clean air in order to coordinate the work related to air quality at government level.

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Air quality also has become one of the top priorities of the European Commission. Under increasing pressure to refer to the Court of Justice of the European Union (CJEU) Member States that fail to comply with EU air quality laws, the European Commission convened an unprecedented air quality ministerial summit in Brussels in January 2018 and then in May took six Member States to the Court, including France, Germany, Italy and the UK. Meanwhile, an unprecedented report on air quality from the European Court of Auditors (significantly influenced by early meetings with ClientEarth's clean air team) called on the European Commission to prioritise air quality in EU policies, take action to better align policies that can be detrimental to air quality and increase the use of available EU funding to cut air pollution emissions.

These actions have continued to contribute 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, which were down by 18% compared to 2017. With a 36% market share, diesel car registrations posted the lowest result since 2001. At the same time, 2018 marked the best ever performance for Alternatively Fuelled Vehicles (AFVs), recording 944,800 registrations and a 6.1% market share. Both electric and hybrid cars saw sales increases of more than 35% year-on-year. This is a significant increase in ten years, having counted for just 0.5% of total registrations in 2008. Diesel sales sank by 30% in the UK due to worries over possible tougher restrictions. Across Europe, governments have continued announcing the phase-out of the combustion engine and to correct fiscal incentives to diesel vehicles.

Public awareness: Our clean air work was featured in some of the most influential media outlets in Europe throughout the year, including The Financial Times, The Guardian, the BBC and The Times. Our Clean Air Parents' Network allowed us to improve public awareness in the UK and mobilise our key target audience of parents of young children. A Westminster event under the network's banner drew support from more than 70 MPs from all parties, with concerned parents from across England meeting MPs to ask them to take action to protect children from illegal and harmful levels of air pollution. German media also extensively covered the wave of clean air cases. Air pollution and looming diesel bans remained firmly at the centre of media attention in Germany throughout the year. In Poland, we observed a significant change in public perception, with 44% of Polish citizens declaring air quality a serious problem.

Building momentum: An increasing number of citizens and NGOs approached us for advice on how to replicate our clean air cases and we provided legal information and support on several non-ClientEarth clean air cases in 2018. ClientEarth supported a coalition of European NGOs to submit an evidence-based response in the stakeholder consultation in the framework of the ongoing Fitness Check of the Air Quality Directive. ClientEarth was also invited to provide two panellists for the first WHO Global Conference on Air Pollution and Health: *Improving Air Quality, Combatting Climate Change – Saving Lives*. As an outcome of the conference, more than 70 countries, cities, UN organisations, intergovernmental organisations and leading civil society organisations (including ClientEarth) made pledges to tackle air pollution.

During 2019, we await a number of pending court decisions, including a major ruling from the CJEU on the preliminary ruling from our Brussels case, which has the potential to set a key precedent on the right of citizens and NGOs to challenge flawed air quality monitoring networks. In the UK and Germany, we will continue to bring litigation where necessary to ensure widespread introduction of restrictions on diesel vehicles across cities. In Central and Eastern Europe, we will continue our work to overcome barriers to access to justice in Bulgaria and Poland, and look to improve air quality laws and policies. Finally, we will scale up our work on the development of better air quality legislation in the UK (in the framework of the Environment Bill) and at EU level (in the framework of the Air Quality Directive's Fitness Check).

#### 8. Harmful chemicals

Objective: Ensure that strong laws both control and phase out the use of harmful chemicals

*We want European institutions and Member States to stop authorising the use of harmful chemicals when safer alternatives are available and to strictly control the use of harmful chemicals. We want them to oblige companies to know the impact of their substances and share this information with all relevant actors: their investors, customers, consumers, waste operators and anyone potentially exposed.*

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Many chemical substances harmful to human health and the environment are still widely used, even when safer alternatives exist. Carcinogenic, mutagenic, reprotoxic or endocrine disrupting substances enter water, the air or soil and are capable of harming both animals and humans. Many are present in the products used every day in the EU and the invisible nature of this cycle makes it particularly difficult to stop once set in motion. 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 that truly benefits the environment.

The EU has developed an important regulatory framework on chemicals. However, more than 140,000 industrial chemicals are on the EU market, most with little data or understanding of their health and environmental impacts, and new substances are invented every day. ClientEarth aims to ensure the health of people and the environment are not sacrificed for short-term profits by counterbalancing the influence of industries who spend considerable resources downplaying the impacts of chemicals, and exploit uncertainty to avoid, delay or weaken necessary preventive measures.

We are accredited observers at the European Chemical Agency (ECHA), which has an important role in the implementation of the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation, 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 that do not respect the law and are at the expense of the public interest. We also use legal tools to force companies to disclose more information on the chemicals they use, ensuring that the EU decision-making process is transparent and based on the most up-to-date, relevant and independent information. These fundamentals help all relevant parties, including consumers, NGOs or investors, to make informed choices and reward the providers of safer alternatives.

The implementation of EU chemical legislation: In 2018, our cases before the EU General Court of Justice against two chemicals authorisations were still ongoing, with two important milestones: the end of the written procedure and the final opportunity to argue our case directly in front of the judges during the oral hearings. We are awaiting the decision from the Court of Justice of the European Union (CJEU). In addition, we produced a report with ChemSec, a partner NGO, offering concrete solutions to improve the ECHA's authorisation process. With our support, the European Parliament adopted a formal objection to another authorisation. This created a new political momentum, which triggered the opening of a debate at the highest level of ECHA forcing companies to provide the appropriate data and tighten the scrutiny of this data. As a result, the current practice of automatically granting any authorisation despite flaws in the chemicals registration dossier may finally stop, so that the key objective of this process – to progressively phase out substances of very high concern – can be achieved.

We have also supported ECHA in three cases brought by the plastics industry lobby against the identification of Bisphenol A as a substance of very high concern. Such identification is a first step towards a potential ban. We intervened as a third party before the EU Courts, complementing ECHA's defence of the identification decision. These cases are still ongoing, but granting of the right to intervene is already a strong outcome as it creates a positive precedent for access to justice. We also successfully contributed to preventing the European Commission from weakening the EU regulation on pesticides. This regulation bans the use of endocrine disruptors (EDCs). After an outcry and in the face of compelling legal reasons, the European Commission was forced to withdraw its proposal for lack of support by Member States and the Parliament.

Access to information on chemicals: Following our access to document requests and comprehensive report on ECHA's dissemination policy in 2017, an opportunity for change arose when ECHA released a new draft publication policy in May 2018. Having secured support from key NGO partners, we responded with a detailed legal analysis, as well as precise recommendations for improvement. The ECHA took many of our recommendations on board, and we successfully blocked the recommendations made on the same draft by the industry lobbies. As a result, in 2019, we can expect the publication of key information on the use of substances of very high concern in the EU, such as who uses them, where, in what quantities and how many workers are exposed.

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In 2018, we also provided input to the General Food revision. Thanks to our legal analyses, the near-final text of the legislation looks much more promising to ensuring the public will have access to information about the impact that chemicals present in our food have on health and the environment.

During 2019, we will continue to pursue ways of exposing the presence and potential adverse impact of dangerous chemicals, to improve the EU's decision-making processes and to push for the adequate control and ultimately the phase out of dangerous chemicals. In court, we will continue to support ECHA in connection with challenges from the plastics lobby and, if necessary, will appeal the Court's rulings in our ongoing authorisation cases. We will also support citizens and NGOs to use legal tools to promote safer alternatives to dangerous chemicals.

#### Forests

##### 9. Forests and land conversion

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

*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 of 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 all impact forests.

About 2.4 billion people worldwide rely on forests for their livelihoods. 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. When forests are logged illegally, governments lose out as well – due to lost revenue from taxes and the cost of fighting illegal logging.

We work in Ghana, Liberia, Ivory Coast and Republic of Congo in partnership with national organisations and legal experts. Together, we contribute to the design and operation of laws that govern forests, including Forest Codes, benefit sharing laws, and laws recognising citizen and community rights, and we support civil society to advocate for their right to be consulted during forest law reform processes.

Increased information sharing and legal capacity: Grounded in our long-standing partnerships with national legal experts in Ivory Coast, Liberia, Republic of Congo and Ghana, we continued work with national legal working groups in all four countries, conducting legal training, facilitating discussion, and sharing analysis among NGO and community representatives. We reviewed national laws on forest conversion, land rights, community forest management, benefit sharing and carbon rights, which enabled partners to engage more confidently and influence forest and climate law reform and implementation.

Improved timber legality: In 2017 ClientEarth worked with civil society and other stakeholders in Ghana 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. In 2018 we supported the implementation of this Regulation, which improves the rules and procedures for issuing logging permits and thus reduce illegalities in the timber sector. This has enabled the launch of an independent assessment to confirm Ghana's readiness for timber legality licensing by November 2019, which will cover all timber exports from Ghana.

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Community forestry: Strong community forest rights help communities protect their forests, reduce deforestation and carbon emissions and improve forest health, as well as improve their livelihoods. In Liberia we worked with representatives from community forests and NGOs to develop a template contract that will enable communities to negotiate better contracts with timber companies with clear sustainability requirements for the companies and a fair share of benefits for the communities.

In the Congo Basin, ClientEarth and partners provided input to the Brazzaville Roadmap on community-based forestry in Central Africa and presented research at a regional meeting of experts that was organised by the Food and Agriculture Organisation of the United Nations (FAO) and the Ministry of Forests and the Commission of Central African Forests (COMIFAC) in Brazzaville. During 2018, we also conducted field research on legal frameworks for community forestry in Tanzania and the Philippines, as part of an international study to share lessons learned on enabling legal frameworks.

Civil society engagement in the development of forest law: In the Ivory Coast we supported civil society to make contributions to several new versions of the Forest Code throughout 2018, as well as the Forest Policy Implementation Plan. Civil society members of the legal working group technical committee and the national civil society platform now understand and are collectively engaging in legal forest reform. We also supported civil society engagement in the development of the Forest Code in the Republic of Congo, strengthening our engagement with Congolese parliamentarians. We helped civil society to create a working group with the parliamentarians' technical advisers to discuss inputs, legal analysis and potential amendments to the draft Code, a significant positive step.

Reducing forest conversion: Together with local experts, ClientEarth released, in 2018, a legal toolkit to help decision-makers use laws to reduce forest conversion and minimise the environmental and social impacts of deforestation. The toolkit draws on extensive legal analysis from nine tropical countries and gives lawmakers guidance about how to write and reform forest conversion laws. The enthusiastic response to the toolkit has also resulted in the exploration of further training opportunities, which will hopefully manifest in 2019. This demonstrates that our work has filled a critical gap in understanding around deforestation linked to conversion.

Climate initiatives: In 2018, ClientEarth launched a new international programme of work on using forests to mitigate climate change (Reduced Emissions from forest Degradation and Deforestation – REDD+). We built the capacity of civil society organisations and community groups to understand and engage with how national laws are being reformed to implement the international rules of REDD+. In Liberia, we supported the first REDD+ project, led by Fauna and Flora International, by providing an analysis of relevant national laws and policies in order to offer options for operationalising the project. As the first REDD+ project in Liberia, it plays the important role of piloting and supporting changes to national legal frameworks, which could pave the way for other REDD+ projects.

During 2019, we will continue our legal work with civil society in West and Central Africa. We will work to improve the recognition of community rights in forest law, benefit sharing agreements, complaint mechanisms, and laws governing conversion. We will also share lessons learned from Voluntary Partnership Agreements and legal reform processes with key stakeholders involved in REDD+. In Cote d'Ivoire and the Republic of Congo we will continue to engage in the ongoing legal reforms (Forest Code and implementing decrees). In Liberia and Ghana, we will train and support forest communities to negotiate commercial use contracts and benefit sharing agreements of their forest resources with the private sector. We hope to see the template contract between communities and private timber operators in Liberia signed off by the Forest Authority and integrated into the forest law implementation guidance. Throughout, we will work to increase the awareness of the need for effective legal systems that recognise community rights in relevant forest, land and climate policies.

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#### **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. We seek to contribute to more effective compliance with and enforcement of the EUTR by building the capacity of target stakeholders and influence the development of new laws to stop the trade in illegally harvested timber.

**EUTR enforcement:** In 2018 ClientEarth continued to work with stakeholders to push for strong enforcement of the EUTR. In 2017 our complaint to the European Commission about Belgium's weak EUTR controls resulted in legal action against Belgium. During 2018 we used this leverage and pressure to engage in the establishment of a new Belgian stakeholder platform - which is now operational - on EUTR for multi-stakeholder engagement in EUTR enforcement. We also pursued a complaint submitted to Polish authorities on illegal timber from Bialowieza forest, pushing for transparency and are awaiting the decision. In Central and Eastern Europe, we have expanded our network of national organisations that access ClientEarth as a resource for EUTR enforcement matters and we will build on these networks to support complaints to national authorities in 2019.

**Action on imported deforestation:** Imported deforestation is the deforestation caused by importing unsustainable forest and agricultural products. Reducing our deforestation footprint helps to protect the livelihoods of an estimated 17% of the global population who rely on forests for their livelihoods - mostly in developing countries. In November 2018, France published its strategy on imported deforestation, which encourages the adoption of an action plan to tackle imported deforestation that includes new EU regulations on forest risk commodities. ClientEarth and other NGOs participated in the consultation and our contributions were reflected in the final French strategy. We pushed to extend the scope of products covered by the strategy and called for an EU law on due diligence for forest risk commodities. In December 2018 the EU launched an initiative that aims to present an integrated EU approach to combat deforestation, protect forests and promote sustainable supply chains. ClientEarth took part in both consultations related to this initiative, and we expect the EU to publish a Communication in spring 2019 on stepping up EU action against deforestation and forest degradation.

**Free-trade-agreements:** We have helped improve clauses on the legality of forest risk commodities and timber in the EU-Indonesia Free Trade Agreement (FTA). The comments made by ClientEarth during the public consultation in August 2018 were taken into account in the draft interim report published by the European Commission in October 2018, and our briefing on the subject was specifically mentioned.

**Company reporting:** In November 2018, the European Commission published their summary report of the Public Consultation on the Fitness Check on the EU framework for public reporting by companies. This reflects ClientEarth's comments on a Country-By-Country Reporting (CBCR) requirement. In November 2018, the consultants published their study on the implementation of the CBCR for extractive and logging industries, integrating many of ClientEarth's recommendations.

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Biomass: Through publications, consultations and company webinars with the RE100, we raised awareness in the investor community of the environmental issues associated with biomass. This has helped to sow doubt about the corporate social responsibility (CSR) value of biomass and the financial viability of biomass for power generation.

During 2019, we will continue to support improved enforcement of the EUTR, with a continued focus on Central and Eastern Europe, and influence the development and operation of illegal timber regulations internationally. We will work to increase companies' and investors' awareness of the legal risks associated with the trade of, and investment in, forest-risk commodities, including biomass. We will influence EU decision makers to improve clauses in EU international trade and investment agreements on the legality of forest risk commodities and timber. We will continue to advocate for an ambitious EU approach to combat deforestation, protect forests and promote sustainable supply chains, especially around the anticipated EC Communication in 2019 on *Stepping up EU Action against Deforestation and Forest Degradation*.

## Oceans

### 11. Marine habitats

Objective: Promote stronger laws that protect marine habitats and wildlife

*We want the marine protected areas network to protect vulnerable marine species and habitats from damage from activities like fishing. And we want less plastic to flow into the ocean.*

Marine ecosystems face a myriad of pressures, including fishing activities and plastics pollution. The establishment and effective management of legally protected marine areas 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 marine protected areas; we must work on building out the regulatory framework to make it more robust and effective. 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.

Marine protected areas across Europe: ClientEarth's efforts to ensure that more Member States introduce legally-compliant fisheries management measures continued to present results. Working with NGO partners, we focused on the legal interpretation of the complex interaction between the Common Fisheries Policy and Habitats Directive in relation to marine protected areas. We saw the Parliament reject a joint recommendation on fishing measures in the Belgian North Sea, using arguments from a complaint we helped draft. Towards the end of 2018, the European Commission released guidance on the interpretation of a key EU provision on management in protected areas, both on land and at sea, reflecting many of our key points. This will help to increase pressure on Member States to manage sites more proactively.

Protection for porpoises: UK waters host a large proportion of the European population of harbour porpoises, yet the UK government has dragged its feet on establishing and managing protected areas to help this species. In October 2018, the Court of Justice of the European Union (CJEU) ruled that the handful of sites proposed by the UK government so far was not sufficient and it must do more for porpoise protection. This echoed our long-standing position. ClientEarth continued to engage with authorities on marine issues in the UK relating to the inadequacies of the Dolphin and Porpoise Conservation Strategy and on the topic of cumulative noise from planned windfarms in the Southern North Sea. The UK government has committed to forming a multi-disciplinary group on these issues.

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Regulatory landscape on plastics: Awareness of the marine plastics pollution problem has been growing exponentially and ClientEarth continued to build momentum by contributing our expertise in various fora. Our legal analysis helped ensure that the Single-use Plastic Directive was robust. Several important amendments were reflected in the final text, such as improving the definition of single-use plastic, eliminating derogations for biodegradable plastics and ensuring a wider scope of measures are available to Member States to reduce the consumption of some of the most polluting single-use plastic items. We also engaged with plastic policy debates in the UK. We were the only NGO invited to attend a parliamentary roundtable on producer responsibility and a parliamentary roundtable comparing the policy developments around plastic in the EU and the UK. The 2018 Resources and Waste Strategy contained many of our key asks, including making producers responsible for the cost of plastic packaging disposal.

Plastics and business accountability: ClientEarth's ongoing work highlighting the novel concept of plastic pollution as a material business risk is also gaining traction and has caught the attention of investor activists. This work is underpinned by our summer 2018 report, *Risk Unwrapped plastic pollution as a material business risk*, which explored the ways in which plastic pollution impacts businesses and will require changes to their business model, and outlined why companies should be reporting on these risks to their shareholders.

During 2019, we will dedicate energy to broadening the understanding among companies and regulators that plastic pollution is a business risk and challenging those whose business models depend on single use plastics. We will also continue to advocate for changes in the regulatory landscape, in both the UK and across Europe, so that business-as-usual on plastics becomes more expensive and unattractive. Meanwhile, in our marine protected areas work, we will be working with partners to build more capacity in several EU countries to use legal arguments to pressure governments to stop allowing damaging fishing in marine protected areas.

## 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 impacts 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 improve fisheries management through longer-term Multi-Annual Plans (MAPs).

If these mechanisms were put into practice, there would be a positive tangible impact on marine resources management and the protection of biodiversity. Currently there is an implementation gap, and a 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, including ensuring that the public funding framework functions to support environmental protection.

Fishing quotas: Throughout the year, we continued to push for progress on setting fishing limits (or total allowable catch, TACs) for 2019 at a sustainable level in line with scientific advice. Historically, total allowable catch for some vulnerable stocks were still set way above scientific advice, such as whiting in the Irish Sea and cod in the west of Scotland and the Celtic Sea. Nonetheless, we were pleased that this year no further limits were removed at December Council, in line with our position and the European Commission's proposal. Thanks to our access to information requests and analysis, the lack of transparency regarding the decision-making process remained on the agenda and we may be able to force through changes to improve transparency next year, for example, through a complaint to the European Ombudsman.

# CLIENTEARTH

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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Landing obligation in the North Sea and North-Western Waters: Over previous years, collaboration with EU NGOs has enabled us to highlight shortcomings in the implementation of the landing obligation to high-level officials at the European Commission, particularly in relation to abuse of exemptions. In 2018, the European Commission took unprecedented assertive action to resist Member States' insufficiently supported requests for exemptions to the CFP's discard ban, one of our key complaints. Furthermore, in its public positions, the European Commission picked up NGO-led points to rebut industry pressure to pursue options contrary to the CFP.

Control Regulation: After the publication of our case studies on the control and enforcement of fisheries laws in several EU Member States, the European Commission was pressured to include strong provisions on sanctions for infringements of the rules of the CFP in its proposal for a revised EU fisheries control system. This proposal is now making its way through the legislative process, and we have been working with MEPs to include further important amendments, for example on increasing the transparency of fisheries data. We have also worked to highlight several cases of severe non-compliance with EU control rules by the competent authorities of the Member States, which has helped to raise awareness and prompted further scrutiny from the European Commission.

Multi-Annual Plans and Technical Measures: The North Sea multi-annual plan considerably watered-down the CFP's requirements and, unfortunately, the final Western Waters multi-annual plan was similarly weak. However, we were able to persuade MEPs to reject amendments that would have postponed the CFP's 2020 deadline for ending overfishing. Meanwhile, our input helped to strengthen the joint NGO position paper on the introduction of specific performance indicators to the technical measures rules. It remains to be seen whether there will be a final agreement on the text of this legislation in 2019.

European Maritime and Fisheries Fund (EMFF): ClientEarth became recognised as a leading NGO thought leader on the key priorities for the revision of the rules on EU funding for fisheries to ensure that the revision does not undermine sustainable fishing. We presented at several public events and are actively engaged in the legislative process, which will continue in 2019.

2019 is a crucial year for fisheries management policy in the EU. We will be working to secure compliance with the 2020 deadline to stop setting fishing limits above scientific recommendations, while also exploring how to punish any failures to meet this deadline. Our focus on national level practices will increase, with further studies on what authorities are doing to monitor and sanction non-compliance with fisheries rules, and identify systemic problems. Finally, depending on the status of the respective legislative processes at the end of the current European Commission's mandate, we may need to refocus from advocating for improvements to the rules on the new European Maritime and Fisheries Fund and the fisheries control system to scrutinising the implementation of those rules.

#### **Seafood supply chain**

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 sense of responsibility among the business community for stewarding marine natural resources varies according to geography, even within different countries in Europe. 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 to change their behaviours and have an impact that reaches far beyond European fisheries. Our work with supply chains raises the bar and makes compliance with legal requirements the minimum expectation. Supporting businesses to define and harmonise voluntary commitments and expectations will not only create a more level playing field where we are working, it will also inspire businesses and those in other jurisdictions to come together in a pre-competitive way to unite in changing the way things are done.

# CLIENTEARTH

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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Sustainable seafood in the UK: The Sustainable Seafood Coalition (SSC) attracted six new members in 2018, including some high-profile restaurant chains, demonstrating that the SSC codes of conduct have the potential to positively influence all UK seafood sectors. The SSC sourcing code commits businesses to responsible stewardship of our oceans, and ClientEarth's role as secretariat for the group enables us to keep environmental concerns high on the seafood community's agenda. For example, in 2018 we were invited to join the Technical Advisory Committee for the Responsible Fishing Scheme (RFS), a role in which we can strengthen the environmental criteria required by a fishing vessel certification scheme.

Sustainable seafood in Spain: By the end of 2018, we had brokered an agreement among environmental NGOs working on seafood in Spain on a roadmap for the Spanish supply chain action on sustainable sourcing. This is a huge achievement because it nullifies an excuse for inaction by retailers, who have previously claimed to be held back by inconsistent NGO demands. In another first, we have brought together a group of key retailers and retailer associations accounting for the bulk of the Spanish seafood market, called the Plataforma por la Sostenibilidad Pesquera (Platform for Sustainable Seafood). This group will act as a valuable foundation for progress on the sustainability of seafood in this significant market. Our work in Spain has also begun to draw attention to the non-compliance with rules on the information that must be provided to consumers when they buy seafood. The ClientEarth report 'Lo que no nos cuentan' revealed that in the sampled wet fish markets there was only 30% compliance. We plan to use these findings to advocate for better implementation by local and national competent authorities in Spain, to achieve a greater commitment from the industry with the labelling requirements and ultimately to achieve greater transparency in the supply chain.

Sustainable seafood internationally: We received new, international interest from many quarters in the model that we have used to drive change in the UK. For example, we were invited to present in Japan on our experiences in the UK and Spain. In autumn 2018, the Hong Kong Sustainable Seafood Coalition launched. This group was developed independently from ClientEarth, but its model is based on the SSC's codes of conduct, suitably adapted to fit the Hong Kong market. In this way, we are seeing a ripple effect stemming from our ground-breaking work in the UK.

During 2019, we expect the Spanish retailer platform ("Plataforma por la Sostenibilidad Pesquera) to take its first public steps to drive the market towards a more ambitious and consistent approach to sourcing seafood sustainably. Meanwhile, we will be working in various ways to secure better compliance with consumers' rights to important information when they buy seafood. In the UK, we will work to continue the uptake of SSC membership among food service sector companies. Further, we will share the lessons learnt from our approach in the UK and Spain with groups in other parts of the world who are interested in the model.

## Wildlife

### 13. Wildlife and habitat loss

Objective: Promote adherence to laws protecting key European 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 is under increasing threat; by 2020, populations of vertebrate species in Europe 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 will have potentially devastating consequences for ecosystems, as well as food security and livelihoods.

# CLIENTEARTH

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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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. Outside of the EU, protections are even less consistent.

Our wildlife work has 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. In 2018, we expanded this work outside of Poland, and are working with NGOs to help bring strategic legal actions across the EU. We also address barriers that stop NGOs and citizens from using the law to protect biodiversity, such as access to justice and information. We have also been active at EU level to secure more 'biodiversity-friendly' interpretations of laws through better guidance.

EU level plans and guidance: We have actively engaged in advocacy both in writing and by providing detailed expert input at workshops to positively influence the drafting of key EU guidance on the interpretation of the Habitats Directive. This guidance is due to be published in early 2019.

Non-compliance: Following our complaint about illegal logging in the Bialowieza Forest, the Court of Justice of the European Union (CJEU) delivered a ruling in April 2018, which found that the Republic of Poland had breached EU law by adopting the forest management plan for the Bialowieza Forest without carrying out the required tests under the Nature Directives. The ruling showed that Poland had failed to establish conversion measures for the site by failing to protect certain birds and insect species within the Bialowieza Forest. This is an important legal decision that includes strong interpretation of the Nature Directives. Under pressure from ClientEarth and our partners, the Polish Government has now cancelled one of the permits that allows logging in the Bialowieza Forest. However, a second permit remains in place, which we will continue to challenge.

Interpretation of laws: The Polish nature protection law allows exemptions from forest management assessments, which test whether new forest activities will put nature and habitats at risk. These tests are required under EU law. We informed the European Commission about this issue and, in July 2018, infringement proceedings were issued against the Polish government for breaching EU nature protection laws. With our expanded reach, we started to reach out to legal and NGO partners across Central and Eastern Europe, with a view to forming partnerships to bring strategic legal interventions outside of Poland.

Civil society access to courts: Our complaints to the Aarhus Convention Compliance Committee about Poland continue to progress. Our first case concerns lack of access to justice for NGOs in proceedings regarding issuing water permits. We sent the counterarguments to the explanation of the Polish government and expect a hearing in 2019. Our second case concerns lack of justice in relation to forest management plans. In March 2018, we presented legal arguments at the meeting of the Committee in Geneva.

Increased revision of national law: After many years of attempts by NGOs, including ClientEarth, to change hunting laws in Poland, the law was finally amended and many changes beneficial for nature protection were introduced, for example introducing a ban on the participation of people below the age of 18 in hunting.

During 2019, we will expand our wildlife work with a focus on Central and Eastern Europe, the Mediterranean, and outside of the EU in the Balkans where hydropower development poses a threat to wildlife. We will continue to ensure that logging in Polish forests is reduced to comply with the Habitats Directive and to challenge the hunting of protected species such as Bison. We will increase our focus on campaigning for the designation of forest areas as national parks in Poland. We will continue to advocate to secure higher priority for biodiversity protection at EU level and expect to see our positions incorporated into EU-level guidance documents on the Habitats Directive.

# CLIENTEARTH

## TRUSTEES' REPORT

*FOR THE YEAR ENDED 31 DECEMBER 2018*

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### **Monitoring, evaluation and learning**

The ClientEarth five-year strategy is underpinned by comprehensive programmatic strategies and plans. 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.

Programmes follow monitoring and evaluation practices linked with organisational and where appropriate donor requirements. 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 noted, 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.

Since ClientEarth uses a common set of approaches and tools 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.

# CLIENTEARTH

## TRUSTEES' REPORT

### *FOR THE YEAR ENDED 31 DECEMBER 2018*

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#### **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:

- Howard Covington (appointed Chair 6 December 2018)
- Georg Stratenwerth (Treasurer)
- Frances Beinecke
- Hermann Bruhn (appointed 28 September 2018)
- Brian Eno
- Daniel Greenberg
- Stephen Hockman QC
- Philippe Joubert
- Winsome McIntosh (stepped down as Chair 6 December 2018)
- Sonia Medina Gomez
- Mary Robert
- Fabienne Serfaty
- Sarah Butler-Sloss
- Sir Martin Smith

In 2018, the trustees thanked Winsome McIntosh, Chair of ClientEarth since 2007, for her visionary support and dedicated service to the charity. Winsome remains a trustee. Howard Covington, a trustee, was elected Chair in November 2018.

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 & 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 Remuneration Committee meets on an ad hoc basis.

New trustees are appointed by the Board at the recommendation of 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

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### ClientEarth Offices

ClientEarth has its headquarters in the UK, and a number of offices throughout the world: Belgium, Germany, Poland, Spain, and China. 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.

#### ClientEarth in Europe

Country		Legal Form	Year of Formation
Belgium		Branch of ClientEarth Limited	2008
Belgium	ClientEarth AISBL	International non-profit association (AISBL)	2018* (dormant)
France	ClientEarth France	French Foundation	2011 (dormant)
Germany	ClientEarth gGmbH	Limited Liability Company	2018
Poland	Fundacja ClientEarth Prawnicy dla Ziemi	Polish Foundation	2010
Spain		Branch of ClientEarth Limited	2017

\*AISBL formed in 2018 is currently dormant, due to start operations 1 April 2019

#### ClientEarth in China

Country		Legal Form	Year of Formation
China	ClientEarth (UK) Representative Office	Beijing Representative Office of ClientEarth Limited	2017

There is a related, independent ClientEarth entity in the US, ClientEarth USA Inc., which operates as a 501(c)(3). There is also a related independent entity in Germany, ClientEarth – ANWÄLTE DER ERDE, which operates as a Registered Association.

#### Environmental Policy

ClientEarth is committed to reducing energy consumption and waste by encouraging staff to adopt sustainable practices and behaviours in the office. As such the overarching principle guiding our Environmental Policy is that our own actions will be aligned to our programmatic aims. The policy includes guidance on facilities management, recycling waste management, procurement and travel.

ClientEarth's Environmental Policy and the principles are endorsed by the Senior Management Team. The Deputy Chief Executive is responsible for the policy and it is subject to periodic review.

# CLIENTEARTH

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### Remuneration

Attracting, retaining and motivating employees is critical to delivering on ClientEarth's mission. This is supported by a process which benchmarks salaries offered against other similar roles within the charitable sector.

The organisation has an annual review process where performance against objectives is evaluated and staff may be awarded an increase in pay if appropriate. The reviews and any pay awards are conducted in accordance with the framework agreed by the Remuneration Committee and within the salary budget agreed by the Board.

The CEO's salary is set by the Remuneration Committee, a sub-committee of our Board of Trustees, and is approved by the whole Board. The Committee includes specialists with significant organisational management expertise and knowledge, including in the charity sector.

#### 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 Finance committee reviews this risk register at each 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:

- the potential impact of Brexit on our operations in light of our European focus as a UK headquartered organisation; and
- the level of the charity's reserves, which are well below the target level set by the reserves policy.

#### Fundraising

ClientEarth employs an in-house development team who specialise in philanthropy and grants 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 philanthropy and grants fundraising, ClientEarth offers members of the public the opportunity to donate through its website, and is committed to fundraising in a way that meets the expectations of the public and respects the rights of all individuals.

Addressing the challenge to raise unrestricted funds and balance the income mix has been a priority in 2018. The fundraising team has restructured to improve efficiency and the Board has approved a new fundraising strategy in December. This strategy charts out the introduction of new income streams, consolidation of existing income streams and the objective to grow the portfolio of donors ClientEarth works with. The aim of the strategy is to continuously strengthen unrestricted income streams, and grow restricted income strategically and in turn solidify ClientEarth's financial sustainability.

While unrestricted income has underperformed against target, donations in 2018 have nevertheless seen an increase of approximately £100,000 on 2017. We continue to work on growing our network and numbers of donors to ensure that unrestricted income keeps pace with our rising restricted income. Restricted income overall has performed well against target and we have been successful in renewing and confirming several cornerstone grants for our forests, climate, energy transition and clean air work.

# CLIENTEARTH

## TRUSTEES' REPORT

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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In 2019, the team's main focus will be ensuring that income targets for major donations are met and implementing the activities of the fundraising strategy that include first forays into online fundraising and an increased focus on donor cultivation.

#### **Financial review**

During the year ended 31 December 2018 the charity received total income of £11,212,353 a 2% decrease on 2017 (£11,428,856). Total expenditure increased by 25% to £11,172,636 (2017: £8,941,483). Much of the growth in expenditure was related to spending restricted income that was recognised in 2017 and carried over into 2018.

At year end, the total funds held by the charity were £5,591,793, roughly the same as the previous year (2017: £5,552,076). This includes an 8% increase in restricted funds, with £4,617,974 held at 31 December 2018 (2017: £4,283,772). The unrestricted funds held at the year-end decreased by 23% to £973,819 (2017: £1,268,302).

The most significant source of income, representing roughly four fifths 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. As in 2017, 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

#### **Reserves policy**

The charity's reserves policy, adopted by the trustees in November 2015, 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) - £2,481,006 in 2018. 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.

2018 was a challenging year in terms of the charity's efforts to build its reserves. The free reserves, calculated as total unrestricted funds less fixed assets held at 31 December 2018 totalled £758,671. This represents a 28% decrease on the prior year (2017: £1,053,166). The trustees and senior management team now are focussed on building existing unrestricted income streams, as well as developing new ones.

# CLIENTEARTH

## TRUSTEES' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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### 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.

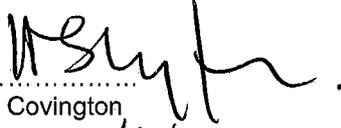
### Statement as to disclosure to auditors

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.

On behalf of the trustees

  
.....  
H Covington  
Date ..... 3/6/2019 .....

# CLIENTEARTH

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLIENTEARTH

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### Opinion

We have audited the financial statements of ClientEarth (the 'parent charitable charity and subsidiaries') for the year ended 31 December 2018 which comprise of the consolidated statement of financial activities, consolidated and charity balance sheet, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. 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 2018 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with 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 has 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 is 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

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### **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 directors' report included within 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies 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 is 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 financial statements 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

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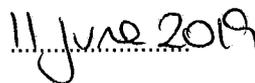
### Use of our report

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

**Chartered Accountants**  
**Statutory Auditor**



30 City Road  
London  
EC1Y 2AB

# CLIENTEARTH

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Unrestricted funds 2018 £	Restricted funds 2018 £	Total 2018 £	Total 2017 £
<b><u>Income and endowments from:</u></b>					
Donations and legacies	3	1,587,561	370,458	1,958,019	2,504,396
<b>Charitable activities:</b>	<b>4</b>	41,697	9,117,247	9,158,944	8,912,781
Investments	5	700	-	700	150
Other income	6	45,615	49,075	94,690	11,529
<b>Total income</b>		<b>1,675,573</b>	<b>9,536,780</b>	<b>11,212,353</b>	<b>11,428,856</b>
<b><u>Expenditure on:</u></b>					
Raising funds		544,862	81,617	626,479	779,566
<b>Charitable activities:</b>	<b>8</b>	1,425,194	9,120,963	10,546,157	8,161,917
<b>Total resources expended</b>		<b>1,970,056</b>	<b>9,202,580</b>	<b>11,172,636</b>	<b>8,941,483</b>
<b>Net (expenditure)/income for the year/ Net movement in funds</b>		<b>(294,483)</b>	<b>334,200</b>	<b>39,717</b>	<b>2,487,373</b>
Fund balances at 1 January 2018		1,268,302	4,283,774	5,552,076	3,064,703
<b>Fund balances at 31 December 2018</b>		<b>973,819</b>	<b>4,617,974</b>	<b>5,591,793</b>	<b>5,552,076</b>

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

All income and expenditure derive from continuing activities.

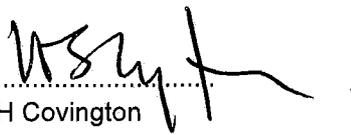
The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

# CLIENTEARTH

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Intangible assets	10		40,442		50,992
Tangible assets	11		174,707		193,439
			<u>215,149</u>		<u>244,431</u>
<b>Current assets</b>					
Debtors	13	1,571,350		2,182,216	
Cash at bank and in hand		4,337,761		3,743,672	
		<u>5,909,111</u>		<u>5,925,888</u>	
<b>Creditors: amounts falling due within one year</b>	14	(532,467)		(618,243)	
Net current assets			<u>5,376,644</u>		<u>5,307,645</u>
<b>Total assets less current liabilities</b>			<u>5,591,793</u>		<u>5,552,076</u>
<b>Income funds</b>					
Restricted funds	16		4,617,974		4,283,774
Unrestricted funds			973,819		1,268,302
			<u>5,591,793</u>		<u>5,552,076</u>

The financial statements were approved and authorised for issue by the Board on 3/6/2019

  
.....  
H Covington  
Trustee

Company Registration No. 2863827

# CLIENTEARTH

## COMPANY STATEMENT OF FINANCIAL POSITION

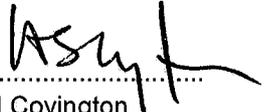
AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Intangible assets	10		40,442		50,992
Tangible assets	11		174,707		193,439
			<u>215,149</u>		<u>244,431</u>
<b>Current assets</b>					
Debtors	13	1,575,437		2,173,515	
Cash at bank and in hand		4,197,422		3,707,376	
		<u>5,772,859</u>		<u>5,880,891</u>	
<b>Creditors: amounts falling due within one year</b>	14	(500,061)		(603,566)	
Net current assets			<u>5,272,798</u>		<u>5,277,325</u>
<b>Total assets less current liabilities</b>			<u>5,487,947</u>		<u>5,521,756</u>
<b>Income funds</b>					
Restricted funds	16	4,617,974		4,283,774	
Unrestricted funds		869,973		1,237,982	
		<u>5,487,947</u>		<u>5,521,756</u>	

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 2018 were £11,196,654 (2017:£11,414,525) with the negative movements in funds being £33,809 (2017:positive £2,499,031).

The financial statements were approved and authorised for issue by the Board on

3/6/2019

  
.....  
H Covington  
Trustee

Company Registration No. 2863827

# CLIENTEARTH

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

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	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	22		623,029		2,402,266
<b>Investing activities</b>					
Purchase of intangible assets		-		(52,750)	
Purchase of tangible fixed assets		(29,640)		(219,430)	
Interest received		700		150	
<b>Net cash used in investing activities</b>			(28,940)		(272,030)
<b>Net cash used in financing activities</b>			-		-
<b>Net increase in cash and cash equivalents</b>			594,089		2,130,236
Cash and cash equivalents at beginning of year			3,743,672		1,613,436
<b>Cash and cash equivalents at end of year</b>			<u>4,337,761</u>		<u>3,743,672</u>

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# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### 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 financial statements 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.

The charitable company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The charitable company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the charitable company are consolidated in the financial statements of ClientEarth. These consolidated financial statements are available from its registered office The Hothouse, 274 Richmond Road, London, E8 3QW.

#### 1.2 Going concern

At the time of approving the financial statements, 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 financial statements.

#### 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 financial statements.

#### 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.

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies

(Continued)

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 2018

---

#### 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	7%
Rule of Law	13%
Climate	14%
Energy Transition	22%
Pollution & health	15%
Forests	12%
Oceans	14%
Wildlife	3%

##### 2017 comparatives

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.

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

Software	20% straight line
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# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.7 Tangible fixed assets

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

Depreciation is recognised so as to write off the cost 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).

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 with banks, other investments with original maturities of three months or less, and bank overdrafts.

#### 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.

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

---

#### 1 Accounting policies

(Continued)

##### **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 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.

##### **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 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.

#### 1.13 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 2018

---

### 1 Accounting policies

(Continued)

#### 1.14 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 2018. 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.

### 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. The key area of judgement relates to entitlement of grants that have funding tranches, other conditions may need to be met before the charity is entitled to future tranches.

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 3 Donations and legacies

	Unrestricted funds	Restricted funds	Total	Total
	2018	2018	2018	2017
	£	£	£	£
Donations and gifts	1,587,561	370,458	1,958,019	2,078,525
Grants receivable for core activities	-	-	-	425,871
<b>For the year ended 31 December 2018</b>	<u>1,587,561</u>	<u>370,458</u>	<u>1,958,019</u>	<u>2,504,396</u>
Donations and gifts	1,003,980	1,074,545		2,078,525
Grants receivable for core activities	425,871	-		425,871
<b>For the year ended 31 December 2017</b>	<u>1,429,851</u>	<u>1,074,545</u>		<u>2,504,396</u>

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 4 Charitable activities:

	Rule of law Programme	Climate and the Paris agreement	Energy transition	Pollution & health	Forests	Oceans protection	Wildlife protection	2018
	£	£	£	£	£	£	£	£
Unrestricted funds	4,000	5,878	-	299	28,771	550	2,198	41,696
Restricted funds	1,884,318	1,596,359	2,099,040	1,437,126	1,095,657	671,316	333,432	9,117,248
	<u>1,888,318</u>	<u>1,602,237</u>	<u>2,099,040</u>	<u>1,437,425</u>	<u>1,124,428</u>	<u>671,866</u>	<u>335,630</u>	<u>9,158,944</u>
For the year ended 31 December 2017								
	Biodiversity Programme	Climate & Energy Programme	Climate & Forests Programme	Strategic Litigation Programme	Environ- mental Justice Programme	China Programme		2017
	£	£	£	£	£	£		£
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
	<u>1,092,847</u>	<u>503,299</u>	<u>1,092,497</u>	<u>4,631,087</u>	<u>653,658</u>	<u>939,393</u>		<u>8,912,781</u>

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 5 Investments

	Unrestricted funds	Total
	2018 £	2017 £
Interest receivable	700	150
	<u>700</u>	<u>150</u>

### 6 Other income

	Unrestricted funds	Restricted funds	Total	Total
	2018 £	2018 £	2018 £	2017 £
Other income	45,615	49,075	94,690	11,529
	<u>45,615</u>	<u>49,075</u>	<u>94,690</u>	<u>11,529</u>
<b>For the year ended 31 December 2017</b>	<u>11,529</u>	<u>-</u>	<u>11,529</u>	<u>11,529</u>

### 7 Trustees

None of the trustees (or any persons connected with them) received any remuneration during the year. During the year £8,313 (2017: £21,651) of expenses were reimbursed to two trustees. These related to costs of US-based trustees travelling to UK board meetings and were incurred in line with the charity's expenses policy. During the year the charity received a total of £250,690 in unrestricted grants and donations from trustees (2017: £209,023).

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

	Costs of generating funds	Rule of Law	Climate	Energy Transition	Pollution & health	Forests	Oceans	Wildlife	Governance costs	Support Costs	2018 Total	2017 Total
<b>8. Charitable activities:</b>												
<u>Expenditure</u>												
Personnel and recruitment	438,885	967,239	913,048	1,311,261	904,823	803,272	817,896	171,365	15,169	649,331	6,992,289	5,474,924
Consultants and external assistance	43,974	185,106	79,364	37,010	56,636	219,062	29,438	8,881	510	31,157	691,138	663,340
Sub Grants	-	170,951	58,124	89,124	54,908	-	-	-	-	-	373,107	540,323
Litigation costs	-	6,150	255,609	391,930	204,487	-	17,324	7	-	-	875,507	532,710
Travel, events and meetings	54,991	239,798	29,166	48,586	49,637	104,267	20,390	4,057	21,639	133,072	705,603	597,602
Publications, subscriptions, memberships and training	1,902	23,909	12,418	19,994	11,923	17,301	12,776	3,792	-	3,487	107,502	77,749
Training and research	4,158	20,492	23,705	21,942	16,567	10,810	19,731	4,276	263	6,719	128,663	79,841
Premises and office running costs	87,012	133,827	150,857	179,341	143,614	91,879	114,929	35,640	2,574	152,740	1,092,413	789,096
Accounting and professional fees	4,726	8,664	10,239	15,753	10,239	8,664	9,452	2,363	38,712	34,187	142,999	132,850
Bank charges	2,330	(9)	(10)	(16)	(10)	(9)	(10)	(2)	-	7,664	9,928	8,786
Exchange rate gains/(losses)	(463)	(850)	(1,004)	(1,545)	(1,004)	(850)	(927)	(232)	-	(850)	(7,725)	16,515
Depreciation	3,535	6,481	7,660	11,784	7,660	6,481	7,071	1,768	-	6,481	58,921	27,748
Bad debt	137	252	298	458	298	252	275	69	-	252	2,291	-
Overhead recharge	(76,577)	75,534	11,392	(34,136)	149,137	18,346	(262)	(3,043)	-	(140,391)	-	-
<b>564,610</b>	<b>1,837,544</b>	<b>1,550,866</b>	<b>2,091,486</b>	<b>1,608,915</b>	<b>1,279,475</b>	<b>1,048,083</b>	<b>228,941</b>	<b>78,867</b>	<b>883,849</b>	<b>11,172,636</b>	<b>8,941,484</b>	
Support Costs allocated to activities	61,869	114,900	123,739	194,447	132,577	106,062	123,739	26,516	-	(883,849)	-	-
Governance Costs allocated to activities	-	11,041	11,830	18,928	12,619	10,253	11,830	2,366	(78,867)	-	-	-
<b>Total</b>	<b>626,479</b>	<b>1,963,485</b>	<b>1,686,435</b>	<b>2,304,861</b>	<b>1,754,111</b>	<b>1,395,790</b>	<b>1,183,652</b>	<b>257,823</b>	<b>-</b>	<b>-</b>	<b>11,172,636</b>	<b>8,941,484</b>

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

8. Charitable activities comparative figures										
	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
<b>Expenditure</b>										
Personnel and recruitment	329,837	973,280	494,222	818,801	1,887,900	175,528	320,289	18,486	480,581	5,474,924
Consultants, external assistance and sub grants	365,596	76,590	23,574	243,431	328,932	23,972	118,047	478	28,053	1,203,663
Travel, events and meetings	57,146	312,34	23,245	118,486	127,678	4,028	114,256	54,388	80,086	597,602
Publications, subscriptions, memberships and training	7,967	27,432	10,033	36,586	59,553	5,569	4,508	173	6,158	167,589
Premises and office running costs	41519	188,184	88,378	125,970	250,415	27,230	49,134	2,280	65,985	789,096
Accounting and professional fees	3,337	10,111	6,118	7,789	19,466	1669	7,995	58,020	18,448	132,850
Litigation costs	2,375	6,948	4,371	5,402	507,501	1157	1543	-	3,473	532,710
Bank charges	2,400	-	-	-	-	-	-	6,396	-	8,786
Exchange rate gains/(losses)	894	2,681	3,280	2,085	5,272	447	596	-	1,340	16,515
Depreciation	1,665	4,995	3,052	3,885	9,772	832	1110	-	2,497	27,748
Overhead recharge	(66,694)	5,369	(13,209)	56,221	97,974	9,118	11,262	-	(10,041)	-
	<b>745,572</b>	<b>1,276,724</b>	<b>643,044</b>	<b>1,479,663</b>	<b>3,294,279</b>	<b>249,550</b>	<b>610,970</b>	<b>135,161</b>	<b>566,580</b>	<b>8,941,483</b>
allo cated to activities allo cated to activities	33,994	118,376	67,990	84,967	220,966	15,997	28,330	-	(566,580)	-
allo cated to activities	-	28,384	1,219	24,329	56,768	4,055	5,406	(165,151)	-	-
<b>Total</b>	<b>779,566</b>	<b>1,418,424</b>	<b>727,253</b>	<b>1,528,979</b>	<b>3,572,073</b>	<b>270,602</b>	<b>644,646</b>	<b>-</b>	<b>-</b>	<b>8,941,483</b>

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 9 Employees

#### Number of employees

The average monthly number of employees during the year was:

	2018 Number	2017 Number
Restricted funds projects	81	66
Unrestricted funds projects	51	37
	<u>132</u>	<u>103</u>

#### Employment costs

	2018 £	2017 £
Wages and salaries	5,980,738	4,613,746
Social security costs	417,072	349,312
Other pension costs	182,843	169,243
Other employment related costs and temps	411,636	342,623
	<u>6,992,289</u>	<u>5,474,924</u>

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

	2018 Number	2017 Number
£60,000 - £70,000	12	5
£70,001 - £80,000	4	3
£80,001 -£90,000	1	1
£90,001-£100,000	-	1
£110,001 - £120,000	1	-
£120,001 - £130,001	1	-
£130,001- £140,000	1	1
£190,001 - £200,000	-	1
£200,000-£210,000	1	-
	<u>1</u>	<u>-</u>

Pension contributions for employees whose annual remuneration was £60,000 or more amounted to £54,510 (2017: £63,614).

#### Remuneration of key management personnel

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

	2018 £	2017 £
Aggregate compensation	<u>210,000</u>	<u>232,093</u>

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 10 Intangible fixed assets

	Software £
<b>Cost</b>	
At 1 January 2018 and 31 December 2018	52,750
<b>Amortisation and impairment</b>	
At 1 January 2018	1,758
Amortisation charged for the year	10,550
At 31 December 2018	12,308
<b>Carrying amount</b>	
At 31 December 2018	40,442
At 31 December 2017	50,992

### 11 Tangible fixed assets

	Fixtures, fittings & equipment £	Computers £	Total £
<b>Cost</b>			
At 1 January 2018	31,386	188,044	219,430
Additions	13,624	16,016	29,640
At 31 December 2018	45,010	204,060	249,070
<b>Depreciation and impairment</b>			
At 1 January 2018	2,092	23,899	25,991
Depreciation charged in the year	8,403	39,969	48,372
At 31 December 2018	10,495	63,868	74,363
<b>Carrying amount</b>			
At 31 December 2018	34,515	140,192	174,707
At 31 December 2017	29,294	164,145	193,439

### 12 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	4,473,440	3,778,097	4,473,440	3,741,802
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	235,300	408,140	191,902	393,463

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 13 Debtors

	2018	2017
	£	£
<b>Amounts falling due within one year:</b>		
GROUP		
Other debtors	30,744	34,425
Prepayments and accrued income	1,540,606	2,147,791
	<u>1,571,350</u>	<u>2,182,216</u>
PARENT CHARITY		
Other debtors	39,883	34,425
Prepayments and accrued income	1,535,554	2,139,090
	<u>1,575,437</u>	<u>2,173,515</u>

### 14 Other creditors falling due within one year

	2018	2017
	£	£
GROUP		
Other creditors	469,338	582,362
Accruals and deferred income	63,129	35,881
	<u>532,467</u>	<u>618,243</u>
PARENT CHARITY		
Other creditors	458,354	558,779
Accruals and deferred income	41,707	44,787
	<u>500,061</u>	<u>603,566</u>

### 15 Retirement benefit schemes

The charity operates defined contribution pension schemes for all qualifying employees in the UK and Belgium. The assets of the schemes are held separately from those of the charity in independently administered funds.

The charge to profit or loss in respect of defined contribution schemes was £182,843 (2017 £169,243).

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 16 Description of how restricted funds have been used

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 31/12/18 £
	Balance at 1/1/2018	Incoming resources	Resources expended	
	£	£	£	
European Commission DG Environment (LIFE programme)	91,829	-	(205,028)	(113,199)
Children's Investment Fund Foundation - China	28,675	-	(28,675)	-
Chris Hohn Foundation - China	200,000	-	(200,000)	-
Rockefeller Brothers Fund	72,165	-	(72,165)	-
Children's Investment Fund Foundation - China 2018-20	-	754,208	(477,265)	276,943
European Union via GOPA	-	180,529	(180,684)	(155)
United Nations Environment Programme (UNEP)	-	7,225	(7,225)	-
Chris Hohn Foundation - China, external costs	-	130,000	(129,143)	857
MacArthur Foundation 2018-21	-	156,785	(27,961)	128,824
Thirty Percy Foundation 2018-19	-	50,000	-	50,000
Funders for Fair Trade	6,941	67	(7,008)	-
Kenneth Miller Trust	7,164	-	(7,164)	-
Esmée Fairbairn Foundation - Brexit	248,309	267,042	(183,252)	332,099
Children's Investment Fund Foundation via Green Alliance	75,306	-	(75,306)	-
Funders for Fair Trade 2017-18	-	118,705	(118,705)	-
Waterloo Foundation 2018-19	-	25,000	(8,571)	16,429
European Climate Foundation via Green Alliance 2018-19	-	49,290	(9,254)	40,036
Calouste Gulbenkian Foundation - Brexit	-	56,332	(19,162)	37,170
Funders for Fair Trade 2018-19	-	89,135	(8,785)	80,350
Frederick Mulder Foundation	14,756	-	(14,756)	-
Friends Provident Foundation	(17,854)	17,854	-	-
KR Foundation via the Oxford University's Smith School	46,479	(25,677)	(20,802)	-
Pickwell Foundation	9,802	25,000	(30,249)	4,553
Wallace Global Fund	9,776	-	(9,776)	-
Finance Dialogue via WWF-UK	(85)	5,340	(5,255)	-
The Sunrise Project	98,600	-	(81,247)	17,353
Sainsbury Family Charitable Trusts (Mark Leonard Trust/ Ashden Trust/JJ Charitable Trust - Finance)	30,000	30,000	(30,744)	29,256
Tellus Mater Foundation	25,000	-	(25,000)	-
Wallace Global Fund - Climate Finance	22,396	-	(22,396)	-
Friends Provident Foundation - 2018	-	94,536	(94,536)	-
Children's Investment Fund Foundation - Climate accountability 2018-20	-	221,119	(153,180)	67,939
Children's Investment Fund Foundation - Company financial 2018-20	-	346,533	(254,132)	92,401
The Sunrise Project 2019-20	-	85,000	-	85,000
Ashden Trust	53,156	-	(53,156)	-
European Climate Foundation - EU State Aid 2017	(2,170)	2,170	-	-
<b>Sub total</b>	<b>1,020,245</b>	<b>2,686,193</b>	<b>(2,560,582)</b>	<b>1,145,856</b>

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 16 Description of how restricted funds have been used

(Continued)

	Balance at 1/1/2018	Incoming resources	Resources expended	Balance at 31/12/18
	£	£	£	£
Brought forward from previous page	1,020,245	2,686,193	(2,560,582)	1,145,856
European Climate Foundation - EU Internal Energy Market 2017	(5,322)	5,322	-	-
European Climate Foundation - EU Governance and Energy Efficiency 2017	(3,337)	3,337	-	-
Chris Hohn Foundation - Strategic Climate Litigation	260,000	10,715	(270,715)	-
German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety - European Climate Initiative (EUKI)	(794)	42,470	(44,628)	(2,952)
European Climate Foundation - EU Internal Energy Markets 2018	-	63,723	(69,472)	(5,749)
European Climate Foundation - EU State Aid 2018	-	36,293	(39,686)	(3,393)
European Commission - Horizon 2020	-	201,470	(61,824)	139,646
Children's Investment Fund Foundation - Energy Markets 2018-20	-	134,030	(41,528)	92,502
Children's Investment Fund Foundation - Coal 2018-20	-	160,272	(66,586)	93,686
Bloomberg Energy Markets via European Climate Foundation	-	68,350	(54,240)	14,110
European Climate Foundation - Poland Coal 2017	(9,934)	9,934	-	-
European Climate Foundation - Poland More than Energy 2017	(719)	719	-	-
European Climate Foundation - Poland Energy Sector 2017	(2,984)	2,984	-	-
European Climate Foundation - Poland Energy Efficiency 2017	228	(228)	-	-
European Climate Foundation - Poland Coal and Clean Air 2018	-	72,034	(76,749)	(4,715)
European Climate Foundation - Poland Energy Market Transition 2018	-	24,011	(26,086)	(2,075)
Kestrelman Trust - Energy Poland 2018-19	-	30,000	(14,190)	15,810
Bloomberg Energy Poland via European Climate Foundation	-	39,897	(16,781)	23,116
Trust for London	60,026	-	(60,026)	-
Clean Air campaign donations	-	5,000	(1,694)	3,306
City Bridge Trust	4,427	50,000	(43,493)	10,934
Clean air legal strategies donation	40,313	-	(9,502)	30,811
Children's Investment Fund Foundation - Air Quality Campaign	47,560	-	(41,437)	6,123
Chris Hohn Foundation - Air Quality	123,755	(10,715)	(113,040)	-
Postcode Green Trust - Air Quality	250,000	-	(250,000)	-
Trust for London 2018	-	42,500	(37,482)	5,018
Children's Investment Fund Foundation - Clean Air 2018-20	-	133,361	(45,348)	88,013
Green budget Europe	-	19,886	(17,196)	2,690
John Ellerman Foundation	-	50,000	(22,624)	27,376
Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ) - European Climate Initiative (EUKI)	-	71,247	(29,810)	41,437
Postcode Green Trust - Air Quality 2019	-	250,000	-	250,000
SumOfUs	14,852	-	(14,852)	-
European Environmental Health Initiative	3,119	-	(3,119)	-
Global Greengrants Fund	98,775	-	(98,775)	-
Sub total	1,900,210	4,202,805	(4,131,465)	1,971,550

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 16 Description of how restricted funds have been used

(Continued)

	Balance at 1/1/2018	Incoming resources	Resources expended	Balance at 31/12/18
	£	£	£	£
Brought forward from previous page	1,900,210	4,202,805	(4,131,465)	1,971,550
European Environmental Health Initiative 2018-19	-	26,281	(23,954)	2,327
Savitri Waney Charitable Trust	-	30,000	(30,000)	-
Plastics Solutions Fund (Zero Waste Europe) 2018-19	-	10,243	(14,843)	(4,600)
Global Greengrants Fund 2018-20	-	152,000	(76,257)	75,743
JMG Foundation	4,667	-	(4,667)	-
UK Department for International Development (DFID) - FGMC	208,959	59,193	(268,152)	-
UK Department for International Development (DFID) via the International Institute for Environment and Development (IIED)	31,965	90,000	(98,942)	23,023
Kestrelman Trust - Forests	2,185	-	(2,185)	-
Natural Resources Defense Council (NRDC)	4,484	8,400	(12,884)	-
Partnership For Policy Integrity (PFPI)	4,730	8,400	(13,130)	-
SEM Trust	17,691	-	(17,691)	-
Bacon Foundation	61,149	-	(61,149)	-
UK Department for International Development (DFID) - FGMC 2018-21	-	874,744	(612,082)	262,662
SEM Trust 2018-19	-	35,000	(19,511)	15,489
UK NGO Coalition on forests 2018-19	-	19,920	(11,862)	8,058
Adessium Foundation - Fisheries	79,780	57,309	(137,089)	-
Membership contributions to the UK Sustainable Seafood Coalition	15,263	48,867	(43,232)	20,898
Calouste Gulbenkian Foundation - Marine CoLABoration	9,895	-	(9,895)	-
Pig Shed Trust 2017	39,844	-	(39,844)	-
Funding Fish 2017	56,473	-	(56,473)	-
Calouste Gulbenkian Foundation - Brexit fisheries	27,458	(6,332)	(21,126)	-
Waterloo Foundation	27,000	-	(27,000)	-
Walton Family Foundation 2017-19	13,457	260,546	(248,979)	25,024
Marine protection and plastics donation	56,244	-	(56,244)	-
Pig Shed Trust 2018-19	-	150,000	(88,216)	61,784
Funding Fish 2018-19	-	210,000	(148,544)	61,456
Marine protection and plastics donation 2018-19	-	37,500	(22,890)	14,610
Old growth forests donations	9,572	-	(9,572)	-
Brexit wildlife donations	5,000	-	(5,000)	-
Polish wildlife donations	-	-	-	-
Kestrelman Trust - Wildlife	41,650	-	(41,650)	-
Oak Foundation	40,000	-	(40,000)	-
Kestrelman Trust – Wildlife 2018-19	-	40,000	(20,227)	19,773
Arcadia Fund 2018-23	-	333,432	(74,098)	259,334
Children's Investment Fund Foundation - Climate Litigation	249,992	180,700	(430,692)	-
Sub total	2,907,668	6,829,008	(6,919,545)	2,817,131

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 16 Description of how restricted funds have been used

(Continued)

	Balance at 1/1/2018	Incoming resources	Resources expended	Balance at 31/12/18
	£	£	£	£
Brought forward from previous page	2,907,668	6,829,008	(6,919,545)	2,817,131
Children's Investment Fund Foundation - Climate Litigation, external costs	918,211	(816,409)	(101,802)	-
Chris Hohn Foundation - Strategic Climate Litigation, external costs	342,668	1,033,673	(688,944)	687,397
Wallace Global Fund - Strategic Climate Litigation 2018-19	-	50,305	(41,921)	8,384
Children's Investment Fund Foundation - Strategic Climate Litigation 2018-20	-	1,846,191	(990,422)	855,769
Bloomberg - Strategic Climate Litigation via European Climate Foundation	-	361,054	(111,761)	249,293
Children's Investment Fund Foundation - core	17,000	-	(17,000)	-
Chris Hohn Foundation - core	98,227	-	(98,227)	-
Esmee Fairbairn Foundation - core	-	232,958	(232,958)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	4,283,774	9,536,780	(9,202,580)	4,617,974
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 16 Description of how restricted funds have been used

(Continued)

##### Rule of Law

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).

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 to the Friend to the Court Fund in China.

Children's Investment Fund Foundation - China 2018-20

Support to the China Programme's environmental governance work.

European Union via GOPA

Support to our EU - China project.

United Nations Environment Programme (UNEP)

Support to our Judicial Summit in Beijing in July 2018.

Chris Hohn Foundation – China, external costs

Support to the China Programme's environmental governance work.

MacArthur Foundation 2018-21

Support to our China Programme's core costs

Thirty Percy Foundation 2018-19

Support to our China Programme's activities on environmental governance.

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.

Esmée Fairbairn Foundation – Brexit

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

Children's Investment Fund Foundation via Green Alliance

Support to our Brexit work on 'The European Union (Withdrawal) Bill'.

Funders for Fair Trade 2017-18

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

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 16 Description of how restricted funds have been used

(Continued)

Waterloo Foundation 2018-19

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

European Climate Foundation via Green Alliance 2018-19

Support to our Brexit work on a 'Strong Environment Act'.

Calouste Gulbenkian Foundation – Brexit

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

Funders for Fair Trade 2018-19

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

#### Climate accountability & the Paris agreement

Frederick Mulder Foundation

Support for the charity's climate litigation strategy.

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

Wallace Global Fund

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

Finance Dialogue via WWF-UK

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

The Sunrise Project

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

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

To support the charity's 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.

Wallace Global Fund – Climate Finance

To support the charity's climate finance work on pensions and Divest Invest initiative.

Friends Provident Foundation – 2018

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

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 16 Description of how restricted funds have been used

(Continued)

Children's Investment Fund Foundation - Climate Accountability 2018-20

Support for the development and activities of the charity's Climate Accountability programme.

Children's Investment Fund Foundation - Company Financial 2018-20

Support for the development and activities of the charity's Climate Finance programme

The Sunrise Project 2019-20

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

#### **Energy Transition**

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

European Climate Foundation – EU State Aid 2017

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

European Climate Foundation – EU Internal Energy Market 2017

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

European Climate Foundation – EU Governance and Energy Efficiency 2017

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

Chris Hohn Foundation – Strategic Climate Litigation

Support for legal actions aimed at accelerating the transition to low carbon living in Europe through work on coal and energy markets.

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.

European Climate Foundation - EU Internal Energy Markets 2018

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

European Climate Foundation - EU State Aid 2018

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

European Commission - Horizon 2020

Grant for the action entitled 'PROSumers for the Energy Union: mainstreaming active participation of citizens in the energy transition — (PROSEU consortium project).

Children's Investment Fund Foundation - Energy Markets 2018-20

Support for the development and activities of the charity's energy markets programme.

Children's Investment Fund Foundation - Coal 2018-20

Support for the development and activities of the charity's coal programme.

Bloomberg Energy Markets via European Climate Foundation

Support for legal actions aimed at accelerating the transition to low carbon living in Europe, through reducing emissions from existing coal plants, and facilitating the integration of clean and sustainable energy markets.

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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### 16 Description of how restricted funds have been used

(Continued)

European Climate Foundation – Poland Coal 2017

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

European Climate Foundation – Poland More than Energy 2017

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

European Climate Foundation – Poland Energy Sector 2017

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

European Climate Foundation – Poland Energy Efficiency 2017

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

European Climate Foundation - Poland Coal and Clean Air 2018

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

European Climate Foundation - Poland Energy Market Transition 2018

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

Kestrelman Trust - Energy Poland 2018-19

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

Bloomberg Energy Poland via European Climate Foundation

Support for legal actions aimed at accelerating the transition to low carbon living in Europe, through reducing emissions from existing coal plants, and facilitating the integration of clean and sustainable energy markets.

### **Pollution and Health**

Trust for London

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

Clean Air campaign donations

Support for air quality campaign activities in the UK.

City Bridge Trust

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

Clean air legal strategies donation

Support to our Clean Air litigation strategies and the scoping of legal interventions to tackle marine plastics.

Children's Investment Fund Foundation – Air Quality Campaign

Support to our Clean Air Parents' Network project 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.

Postcode Green Trust – Air Quality

Support for air quality campaign activities in the UK.

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 16 Description of how restricted funds have been used

(Continued)

Trust for London 2018

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

Children's Investment Fund Foundation - Clean Air 2018-20

Support for our air quality work to ensure compliance with laws in all major European cities.

Green Budget Europe

Support to our Clean Air Programme's work on Ending Diesel Subsidies in Europe.

John Ellerman Foundation

Support to our core Clean Air Programme costs.

Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ) – European Climate Initiative (EUKI)

Support to tackle coal in domestic heating practises in Poland and wider Central and Eastern Europe through energy legislation.

Postcode Green Trust – Air Quality 2019

Support for air quality campaign, legal affairs, and communications work in the UK.

SumOfUs

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

European Environmental Health Initiative

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

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.

European Environmental Health Initiative 2018-19

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

Savitri Waney Charitable Trust

General support for the charity's Harmful Chemicals programme.

Plastics Solutions Fund (Zero Waste Europe) 2018-19

Sub-grant from Rethink Plastics Alliance to support work on achieving policy changes at EU level to enable drastic reduction in plastic use and plastic pollution in Europe.

Global Greengrants Fund 2018-20

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.

#### **Forests**

JMG Foundation

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

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 16 Description of how restricted funds have been used

(Continued)

UK Department for International Development (DFID) FGMC  
Support for the Forests programme through DFID's Forest Governance Markets and Climate (FGMC) Programme.

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.

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

Bacon Foundation  
Support to reduce the EU'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) – FGMC 2018-21  
Support to reduce deforestation and illegal use of forest resources by tackling their root causes, by improving forest governance and market measures to impact commodity trade.

SEM Trust 2018-19  
Support on strategies for improving the operation of the EU Timber Regulation.

UK NGO Coalition on Forests 2018-19  
Support to bring about strategic, systemic change to protect tropical forests through our joint work to engage with, monitor, and inform the Government's policies and funding.

#### **Oceans**

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

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 UK.

Calouste Gulbenkian Foundation - Marine Collaboration  
Support to participate in and contribute to the Marine CoLABoration initiative.

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 16 Description of how restricted funds have been used

(Continued)

##### Pig Shed Trust 2017

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

##### Funding Fish 2017

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

##### Calouste Gulbenkian Foundation – Brexit fisheries

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

##### Waterloo Foundation

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

##### Walton Family Foundation 2017-19

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

##### Marine protection and plastics donation

Support for scoping legal interventions to tackle marine plastics.

##### Pig Shed Trust 2018-19

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

##### Funding Fish 2018-19

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

##### Marine protection and plastics donation 2018-19

Support for scoping legal interventions to tackle marine plastics.

#### **Wildlife**

##### Old growth forests donations

General support for the charity's Wildlife programme.

##### 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 2018

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### 16 Description of how restricted funds have been used

(Continued)

#### Kestrelman Trust – Wildlife

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

#### Oak Foundation

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

#### Kestrelman Trust – Wildlife 2018-19

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

#### Arcadia Fund 2018-23

Support the charity's wildlife work in relation to Natura 2000 network areas protected under the Nature Directives (Birds and Habitats Directives).

### **Strategic Climate Litigation**

These funds support work in our core strategic litigation department, which is primarily focused on the Health, Energy and Climate programmes. For the purposes of the Statement of Financial Activities and other notes to the accounts, these funds are distributed through these three charitable activities on the basis of headcount.

#### 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.

#### Chris Hohn Foundation – Strategic Climate Litigation, external costs

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

#### Wallace Global Fund – Strategic Climate Litigation 2018-19

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

#### Children's Investment Fund Foundation - Strategic Climate Litigation 2018-20

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.

#### Bloomberg – Strategic Climate Litigation via European Climate Foundation

Support for legal actions aimed at accelerating the transition to low carbon living in Europe, through reducing emissions from existing coal plants, and facilitating the integration of clean and sustainable energy markets.

### **Restricted core grants**

#### 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.

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# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 16 Restricted funds comparative figures

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)
<b>Sub total</b>	<b>545,582</b>	<b>1,649,735</b>	<b>(1,628,020)</b>	<b>567,297</b>

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 16 Restricted funds comparative figures

(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 2018

### 16 Restricted funds comparative figures

(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)	-
<b>Total</b>	<b>2,134,127</b>	<b>9,923,720</b>	<b>(7,774,073)</b>	<b>4,283,774</b>

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 18 Analysis of net assets between funds

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total 2018 £	Total 2017 £
Fund balances at 31 December 2018 are represented by:				
Intangible fixed assets	40,442	-	40,442	50,992
Tangible assets	174,707	-	174,707	193,439
Current assets/(liabilities)	758,670	4,617,974	5,376,644	5,307,645
	<u>973,819</u>	<u>4,617,974</u>	<u>5,591,793</u>	<u>5,552,076</u>

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total 2017 £
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 2018

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#### 19 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:

	2018	2017
	£	£
Within one year	602,271	464,244
Between two and five years	851,457	878,311
In over five years	77,640	-
	<u>1,531,368</u>	<u>1,342,555</u>

#### 20 Related party transactions

##### Transactions with related parties

During the year the charity received restricted grants totalling £4,123,677 from the Children's Investment Fund Foundation (CIFF) (2017: £4,152,768), a foundation of which Sonia Medina (a trustee) is an employee. Sonia Medina sits on ClientEarth's board of trustees as the representative of CIFF. Note that £1,163,673 of the 2018 total was a re-grant via CIFF from the Chris Hohn Foundation.

During the year the charity received a restricted grant of £30,000 from The Ashden Trust (2017: £105,000) a trust of which Sarah Butler-Sloss (a trustee) is also a trustee.

During the year the charity received an unrestricted grant of £110,898 from The McIntosh Foundation (2017: £117,237), 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 (2017: £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 (2017: £15,000), a foundation of which Sir Martin Smith (a trustee) is also a trustee.

During the year the charity received unrestricted donations totalling £35,000 (2017: £45,000) from Opal Ltd, a company of which Brian Eno (a trustee) is also a director.

During the year the charity received a total of £89,792 in unrestricted donations from trustees (2017: £31,786).

# CLIENTEARTH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 21 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 2018 are as follows:

Name of undertaking	Registered office	Nature of business	% Held
Client Earth France	86, boulevard Raspail, 75006 Paris, France	Dormant	100.00
Fundacja ClientEarth Prawnicy dla Ziemi (ClientEarth Poland)	Zurawia 45 (staircase B, 2nd floor), 00-680 Warsaw, Poland	Charity	100.00
ClientEarth gGmbH	Objekt Albrechtstrasse 22, 10117 Berlin, Germany	Charity	100.00
ClientEarth AISBL	1050 Bruxelles, Rue du Trone 60, Belgium	Dormant	100.00

### 22 Cash generated from operations

	2018 £	2017 £
Surplus for the year	39,717	2,487,373
Adjustments for:		
Investment income recognised in statement of financial activities	(700)	(150)
Depreciation and impairment of tangible fixed assets	58,922	27,749
Movements in working capital:		
Decrease/(increase) in debtors	610,866	(375,259)
(Decrease)/increase in creditors	(85,776)	262,553
<b>Cash generated from operations</b>	<b>623,029</b>	<b>2,402,266</b>

