



Annual Report and Financial Statements

For the year ended 31 December 2022

Charity Registration no. 1053988

Company Registration no. 2863827 (England and Wales)

CLIENTEARTH

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	H Covington (Chair) G Stratenwerth (Treasurer) F Beinecke H Bruhn S Butler-Sloss B Eno G Gurkaynak (Appointed 7 July 2022) S Hockman (Resigned 2 March 2022) P Joubert J Kaufelt W McIntosh S Medina Gomez D Mokhtarzadeh A Razzouk M Smith
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Company number	2863827
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CLIENTEARTH

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ClientEarth Trustees' Report (including Directors' and Strategic Report) for the year ended 31 December 2022

The trustees present their report and accounts for the period ended 31 December 2022. The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Companies Act 2006 and the Statement of Recommended Practice, 'Accounting and Reporting by Charities', FRS102 (effective 1 January 2015).

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, are listed on page 1.

Introduction from the Chair

ClientEarth went through a year of transition and evolution in 2022, with the aim of making sure that it can have the greatest possible impact during the rest of this critical decade for our planet and for humanity. After 15 years of creating and then leading ClientEarth, James Thornton, the organisation's founding chief executive, stepped down from his role and has now moved into the role of President and Founder.

I cannot overstate James's role in building the organisation, leading it, inspiring its staff, and establishing the use of the law as a tool for tackling climate change and the destruction of nature. On behalf of my trustee colleagues, our staff and our client, the Earth, I pay tribute to all that he has achieved. We are delighted that he will continue to work with ClientEarth, provide us with his wisdom, guidance and inspiration, and be an important external voice for our work.

During the course of the year, the Board undertook a thorough search for a new chief executive to lead ClientEarth during the important next phase in our evolution. We are delighted that Laura Clarke has joined us. Laura is an experienced, committed and passionate leader. She has already made an excellent start, and we fully expect her to take ClientEarth from strength to strength.

After 15 years of rapid growth, ClientEarth has also reviewed and updated its operating model and evolved its organisational structure. One important outcome was a rationalisation of its executive team and the internal appointments of Stefanie Pfeil as Chief External Affairs Officer and Maria-Krystyna Duval as Chief Programmes and Impact Officer. We now have a strong executive team to provide us with leadership and strategic direction.

All these changes will better enable us to play our role in accelerating action and securing a future where people and nature can thrive together.

Alongside this work to ensure that ClientEarth's leadership and organisation are in good shape for the future, our teams continued to power ahead with highly impactful programmatic work, details of which you will find in the Performance Review. This has included our continuing expansion into Asia and the US (largely carried out by ClientEarth US), which we see as priority areas for delivering impact. We will continue to innovate, develop new legal strategies, and pioneer new approaches, wherever we work in the world.

Changes of leadership and organisational structure are always demanding on the staff. Our staff are enthusiastic, committed, hard-working and courageous, and I would like to thank them on behalf of my trustee colleagues for everything they do.

Howard Covington, Chair

Message from the CEO

The climate and environmental crises facing our planet are the greatest challenges of our time, and I feel deeply privileged to be leading ClientEarth in what is a critical decade for action. This is a remarkable organisation of nearly 300 colleagues, increasingly global, and using the law in innovative ways to accelerate the radical change needed for life on Earth to flourish.

Since taking on the role of CEO in September 2022, I have been continually impressed by the creativity, passion and commitment of the team at ClientEarth. Our colleagues are spread across our eight offices, using their individual skills and regional expertise but united behind a clear mission: to use the power of the law to bring about systemic change required to protect all life on Earth. We occupy a particular niche in the wider environmental movement, and our collective efforts to tackle the climate, biodiversity and pollution crises. I spent significant time in my first months in post meeting with partners, peers and others in our sector and I want to thank them all for being so generous with their time, knowledge and insights.

During 2022, we finalised our plans for organisational restructure and started to operationalise our Strategic Framework. The Framework sets out how we will drive the systemic change needed to build a planet with resilient and biodiverse ecosystems; a safe and stable climate; a toxic-free environment with healthy air and water; and societies that are just, fair and equitable. This framework will guide all our work, while providing flexibility, so that we can respond to a rapidly-changing world and ensure space for creativity and innovation within our teams of legal, policy and communications experts.

While we spent a lot of time in 2022 working on our plans for the years ahead, we continued to deliver impact across the board. Our support of the Indigenous Torres Strait Islanders' claim at the UN Human Rights Committee brought a world-first judgment that the Australian Government has breached its human rights obligations through inaction on climate change. Our challenge, with Friends of the Earth and the Good Law Project, of the UK's Net Zero Strategy led the High Court to order the UK Government to improve its climate plans. Our teams in China and Europe were heavily involved in the development of the ground-breaking Kunming-Montreal Global Biodiversity Framework (GBF). We continued our legal action on greenwashing, with claims against Total, KLM and a first action in the US against Washington Gas. We played an important role in advocating for new EU regulation that will tackle deforestation.

In 2023 we will continue to expand our work: using legal advocacy and influencing to secure robust legislation and policies; building the capacity of others, by training lawyers and prosecutors and working with community groups; and using strategic litigation to hold public authorities and private sector actors accountable. ClientEarth will continue to deliver impact in Europe, while also expanding our work in Asia, North America and Latin America.

I'm incredibly proud of what the organisation achieved in 2022 and what we have planned for 2023, and beyond, but none of this would be possible without our amazing supporters and donors. These range from individual citizens giving smaller amounts each month, through to large foundations and partnerships with the cultural sector. We are grateful to each and every one of them; it is thanks to their generosity that we are able to deliver our work.

The challenges facing the world are many, and often overwhelming. These are multifaceted crises that require a response from all sectors of society. I believe that if we come together we can confront these problems head on, challenge those standing in the way of progress and reverse the damage done to our planet. And although time is running out, it's not too late: we have the science, the resources and the skills to make the change we need.

Laura Clarke OBE, CEO

About ClientEarth

At ClientEarth we use the power of the law in unprecedented ways to accelerate the radical change needed for life on earth to flourish.

We have a team of more than 300 people, based in our eight offices across the world, all focused on bringing about systemic change by: informing, implementing and enforcing the law; advising decision-makers on policy; and training legal and judicial professionals. Because a future in which people and planet thrive together isn't just possible - it's essential.

An overview of our work

At ClientEarth we are working for a healthy planet where nature and all people can thrive together. We believe this can only be achieved by radical progress in four areas: **climate, nature, health and justice**.

We believe that the law is the most powerful tool that we have to help build a better future for *all* inhabitants of the Earth but using the law means much more than going to court. We use **legal advocacy** and influencing to secure strong legislation and policies; we focus on **building the field** of environmental law by training lawyers and prosecutors and working with community groups to empower others; and we use **strategic litigation** to go to court and hold governments and companies to account. We always tailor our approach, though, using the knowledge and expertise of our teams in different ways to suit the cultural and legal differences of the regions where we are active.

As we go about our work, we always stay focused on three key principles: using **The power of law**, we are legal experts who believe that the law is our best tool for bringing about the **Systemic change** that is critical to bringing about the lasting change needed to ensure **Nature and people** can thrive together, because we know that the needs of people and planet are inextricably intertwined. These principles underpin everything that we do and if a project or piece of work doesn't deliver on all three of them, we won't do it.

We've been refining our approach and for the last 15 years and building deep expertise of environmental law; fundamental rights law; and corporate, private and public finance law. By using a wide range of law to tackle the challenges we work on, we've been able to deliver real-world impact, while breaking new legal ground that others can exploit. In the last two years alone we have successfully challenged an oil major's greenwash advertising, forced improvements to a G7 country's net zero strategy, supported climate-affected Indigenous People to gain compensation from their government and secured the closure of Europe's largest emitter of carbon.

Public benefit

The charity has 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:

- To promote and encourage the enhancement, restoration, conservation and protection of the environment, including the protection of human health.
- To advance the education of the public in all matters relating to the law, practice and administration of justice in connection with the environment.
- To promote, assist, undertake and commission research into the law and administration of justice in connection with the environment.

Our public benefit is further illustrated in this report through the Achievements and Performance section of this report.

Achievements and performance in 2022 - highlights

In 2022 we continued to deliver ground-breaking litigation and advocacy that accelerates the transition to a net zero future, champions the rights of people facing the impact of climate change and protects our planet's precious biodiversity.

Defending the rights of Indigenous Peoples: In September, we heard the verdict in our case supporting a group of eight Torres Strait Islanders, whose island home and ancient culture is threatened by rising tides from climate change. In a move that made international legal history, the UN Human Rights Committee agreed that the Australian Government has breached its human rights obligations through inaction on climate change.

The Committee found that climate change is currently impacting the claimants' daily lives to the extent that their rights are being violated, and that Australia is failing to take sufficient steps to secure the communities' safe existence on their islands. The Committee asked Australia to compensate the claimants for the harm suffered, and to do whatever needed to secure the communities' safe existence. We acted on behalf of the Islanders and submitted the complaint back in 2019. As one of the claimants, Yessie Moby, said: "This win gives us hope that we can protect our island homes, culture and traditions for our kids and future generations to come."

Forcing improvements to the UK Net Zero Strategy: We successfully challenged the UK Government's Net Zero Strategy for reducing greenhouse gas emissions. We argued that the Government had failed to show that its policies will reduce emissions sufficiently to meet its legally binding carbon budgets and that the Net Zero Strategy failed to include enough information about the policies and their expected effects to allow Parliament and the public to properly scrutinise its plans. The High Court found that the Net Zero Strategy, which sets out plans to decarbonise the economy, does not meet the Government's obligations under the Climate Change Act and will not deliver the climate action promised to the UK public.

At the end of March 2023, the Government updated its climate strategy to include a quantified account of how its policies will actually achieve climate targets. We are now reviewing this update.

Working with investors and directors in Asia: We collaborated with the Asia Investor Group on Climate Change on *Net zero engagement in Asia: A guide to shareholder climate resolutions*, to support effective corporate engagement on climate change. In the guide, 11 leading corporate law experts from across the region provided analysis on the framework for shareholder climate resolutions in territories

including Japan, South Korea and India. The launch brought together regulators, institutional investors and corporate law experts to discuss effective corporate engagement for the net zero transition in Asia. In the Philippines, we supported the Commonwealth Climate and Law Initiative and the Institute of Corporate Directors in launching a new legal opinion on directors' duties and responsibilities and disclosure obligations under Philippine law on climate change risks. The opinion provides a valuable legal framework for managing climate risks and pursuing opportunities as the Philippines transitions to a net zero economy.

Preparing Shell for a net zero future: We went public with our intention to file a world-first action against Shell's Board of Directors for failing to properly prepare the company for net zero. This is the first attempt to hold company directors personally liable for failing to properly prepare for the energy transition. We are clear that we are acting in Shell's best interests as we seek to ensure that near-term profit does not come at the expense of enduring commercial viability for all of the company's stakeholders, including its shareholders and employees.

Calling time on Europe's biggest carbon emitter: Bełchatów coal-fired power plant is Europe's largest emitter of carbon and a symbol of Poland and Europe's historical reliance on coal power. We have been attacking the plant on a number of fronts, but always with a close eye to ensuring a just transition for workers and the communities around the plant. The Bełchatów Territorial Just Transition Plan (TJTP) was accepted by the European Commission and will receive funds for the transition. It has now been agreed that one coal block will be shut down before 2030 and the region will set up a clear trajectory for decarbonisation. This now puts a clear date for the first stage in closing this iconic plant.

European law to combat deforestation: We played an important role in advocating for new regulation that will block products linked to deforestation from being sold on the EU market. Working with allies in the European Parliament, we secured crucial improvements to the proposed law. These included important protections for international human rights and especially the rights of Indigenous Peoples, coverage of the finance sector, as well as many improvements to the law's due diligence, transparency, enforcement and access to justice provisions. Our team, together with other Brussels NGOs, worked tirelessly for this outcome and in a final push we were able to garner support for the law from more than 140 prominent artists and activists, including Barbra Streisand, Mark Ruffalo, Sting and Emma Watson.

Challenging greenwashing: Along with campaigners Fossilvrij Netherlands and Reclame Fossilvrij, we launched legal action against major Dutch airline KLM, over misleading marketing. KLM's campaign attempts to convince consumers that the aviation industry can reach net zero without lowering air traffic. This gives a false impression of the sustainability of its flights and plans to address its climate harm. If KLM does not comply with our demands to cease greenwashing, the lawsuit argues that KLM's campaigns and carbon 'compensation' schemes are misleading and violate European Consumer Law.

We also joined action to hold Total accountable over its greenwashing advertising. Total has rebranded itself as TotalEnergies, with advertising campaigns featuring wind turbines and renewable energy projects. In reality, Total is one of the biggest polluters in the world, with greenhouse gas emissions higher than those of France itself. The company is planning a massive fossil fuel expansion, increasing its production of polluting gas and relying on as-yet-unproven technology, while avoiding meaningful action to reduce emissions this decade.

First ClientEarth action in North America: We teamed up with environmental and consumer groups in the United States to bring a first-of-its-kind lawsuit against District of Columbia power utility Washington Gas, over greenwashing in its marketing. We filed a lawsuit with US PIRG Education Fund and Environment America Research & Policy Center, arguing that Washington Gas Light Company has violated Washington, D.C.'s consumer protection laws for labelling its gas power as clean and sustainable. Washington Gas consistently refers to fossil gas in customer-facing materials as clean and

sustainable, and even includes on its invoices a colourful picture of flowers, with text describing gas as a “smart choice for the environment” compared to electrification. This is our first action in the US and builds on our extensive work on greenwashing across Europe.

Defending environmental rule of law: We undertook significant advocacy against UK Government attempts to weaken judicial review, a key pillar of environmental rule of law in the country. Working alongside Link, we helped to secure an amendment in the House of Lords that preserved the power of judges to be flexible in granting remedies that would ensure government is held to account. Without this amendment, an environmentally damaging decision by the government could be allowed to stand for an uncertain period of time or to go unrectified, leading to potentially irreversible damage.

Challenging plastic pollution: Working with Surfrider Foundation Europe and Zero Waste France, we put nine food and retail giants on notice for inadequately addressing the risks related to the plastic pollution they produce. We believe these companies are failing to live up to their legal duties on plastic pollution. In the Netherlands, we teamed up with Dutch Plastic Soup Foundation to take action against one of the world’s largest supermarket groups – Ahold Delhaize – for not disclosing key information on its use of plastics. We launched a joint complaint to the Dutch financial authority, the AFM, pressing it to enforce EU law that requires companies to disclose climate and environmental data to better inform investors about the sustainability of their investments.

Fighting overfishing in the EU: In a legal first in the history of fisheries, the Court of Justice of the European Union was called on to decide if EU ministers have illegally set unsustainable fishing limits. This call, made by the High Court of Ireland, follows a challenge by Friends of the Irish Environment (FIE) – supported by us – to end overfishing after the EU missed its binding 2020 deadline. This is a huge development that has upped the stakes in the battle to end overfishing in Europe.

Ensuring green EU investment: We took a critical first step in challenging the EU Taxonomy, a list that defines which economic activities can be labelled as “green” investments. We have started our legal challenge over the European Commission’s decision to label gas, bioenergy, bio-based plastics and chemicals used to make plastics as “sustainable” in the EU taxonomy. It is a decision that makes absolutely no sense and that we believe is unlawful.

Detailed performance review

ClientEarth works on multiple issues, all around the globe, connected by our mission and the potential for far-reaching impacts that will protect people and the planet.

Rule of Law

We work to ensure that the legal system enables public and environmental interests to be properly considered in decision-making at local, national and international levels. We believe this will result in environmental justice being placed at the heart of international trade agreements, post-Brexit UK environmental governance, China’s law and policy, as well as at EU level and across the EU’s Member States.

Environmental Democracy in the EU

As part of our ongoing efforts to ensure access to justice and information, we supported MEPs to engage with the European Commission and push for a revision of the EU Aarhus Regulation to open access to justice in State aid.

ClientEarth's advocacy resulted in the UN's Human Rights Council making recommendations to Poland related to climate and environment – the first time the UNHRC has done so. We submitted the so-called 'alternative report' and were actively involved in advocacy among UN member states. The recommendations push for legislative reforms in Poland and we can call on the UN Human Rights Council if Poland does not implement them. Our message to the Polish government that it urgently needs to fight the climate crisis is amplified by the voice of other UN Parties.

Environmental rule of law in China

The Kunming-Montreal Global Biodiversity Framework (GBF) was adopted on 19 December 2022. The framework aims to protect 30% of the planet by 2030, along with many other key targets and a stronger implementation mechanism. Through the EU – China Environment Project, we facilitated 10 bilateral workshops over four years, which led to a strong level of trust and a common vision among these key regions, and which provided the basis for this agreement.

We signed a five-year MOU with the China Environmental Protection Fund, to further expand the successful fund for granting to environmental NGOs, which we jointly established.

Under the EU-China Environment Project, we held the first of a series of workshops on negotiations towards the Global Plastics Treaty, an ambitious agreement targeting pollution and signed by 175 countries. Experience with the Montreal-Kunming Global Biodiversity Framework has shown that fostering alignment between the EU and China can lead to more ambitious and realistic global environmental governance frameworks.

UK Environment

In the UK, our lawyers launched a legal complaint, alongside WWF UK, with the new Office for Environmental Protection to bring attention to the systemic issue of nitrogen pollution from agricultural sources and its damaging impact on the climate and air and water quality. The complaint addressed the unlawful failure of environmental regulators to monitor and enforce existing regulations in the agricultural sector, which has been a significant issue for decades.

We secured important amendments to the Judicial Review and Courts Act (including removing parts of the Bill that would have given judges the ability to grant only weak remedies in cases against public authorities and put in place a statutory presumption in favour of those weak remedies) through targeted advocacy during the Bill's passage through Parliament.

Following ClientEarth's win in the High Court in July 2022 over the UK's Net Zero Strategy, we engaged with Chris Skidmore's independent review on net zero. We advocated for underdeveloped areas like land-use and nature-based climate mitigation are better represented in policies and proposals in the revised strategy due in 2023.

International Trade

After years of dedicated advocacy efforts by our Trade and Environment team, as well as wider pressure from civil society and NGO partners, it now seems inevitable that the EU will exit the Energy Charter

Treaty (ECT). Seven Member States have now withdrawn and there is strong opposition in the European Parliament to the process of modernising the ECT.

The European Commission's communication on the action plan regarding Trade and Sustainable Development (TSD) chapters was published and included some of our recommendations. This has been the result of a lengthy advocacy effort by our Trade and Environment team and our NGO partners.

We welcomed the publication of the European Commission's proposal for the Corporate Sustainable Due Diligence Directive (CSDDD) in February 2022. This proposal has the potential of being a real game changer in ensuring responsible and sustainable corporate behaviour throughout global value chains, and thereby achieve the objectives set out in the European Green Deal. We identified that the proposal has significant gaps in addressing the climate and environmental impact of companies' value chains. We will continue to advocate for a stronger proposal that will include a comprehensive definition of "adverse environmental impact" and a more prescriptive requirements to adopt "climate transition plan" to protect the environment and support companies to address the financial risks and opportunities of the energy transition.

Climate and the Paris Agreement

Mitigating greenhouse gas emissions, in line with the Paris Agreement goals, is one of the major challenges facing society today. States and companies are failing to rise to the challenge and time is running out. We work to establish the duties of states and companies to reduce their emissions and to ensure financial flows are consistent with the Paris Agreement.

Climate Accountability

We have developed and are supporting a group of greenwashing cases and complaints in Europe, Australia and the US, targeting key high-carbon industry advertising practices that we believe violate existing consumer laws. In March, we launched legal action against TotalEnergies, the first lawsuit to challenge the lawfulness of an oil and gas major's net zero publicity. We took the action in the French courts, together with Greenpeace France, Friends of the Earth France and Notre Affaire à Tous. We also worked with Fossilvrij NL and Reclame Fossilvrij, to launch (in July 2022) the first lawsuit to challenge airline industry greenwashing against Dutch aviation giant KLM.

We have advocated at the EU level, aimed at improving European consumer legislation and coordinated European regulatory enforcement action on greenwashing. The European Commission's proposal to amend the Unfair Consumer Practices Directive explicitly included strengthened requirements on corporate net-zero advertising, which aligned with our advocacy and the facts of the TotalEnergies case. The starting point for the ongoing legislative negotiation includes our 'asks': further strengthening provisions on net zero and other 'future goals' claims; a prohibition of certain offsetting claims; a prohibition on all fossil fuel industry environmental advertising; and a prohibition on 'cherry-picking' brand advertising.

We launched a claim against the Board of Shell plc in the High Court of England and Wales, alleging breaches of the UK Companies Act 2006. We secured the support of fellow Shell shareholders holding over 12 million shares in the company ahead of the case filing.

In July 2022, we won our case against the UK Government's Net Zero Strategy, brought with Friends of the Earth UK and the Good Law Project. The High Court found that the Net Zero Strategy, which sets out plans to decarbonise the economy, does not meet the Government's obligations under the Climate Change Act to produce detailed climate policies. This win will improve the operation and transparency of the Climate Change Act.

We also received the decision of the Human Rights Committee in the Torres Strait Climate Case, which for the first time found that States have duties under international human rights law to protect vulnerable communities from the impacts of climate change, and to help them to adapt. The Human Rights Committee found that Australia must compensate the Torres Strait Islander claimants – this is a world-first in climate change litigation. The Australian Government has responded positively to the decision by announcing additional funding and support for the region.

Climate Finance

Summer 2022 saw an intense period of policy work as we sought to input into various policy consultations seeking to establish robust standards for transition planning, sustainability and climate disclosures. This included the UK Transition Plan Taskforce Call for Evidence, the ISSB's Climate Exposure Draft, EFRAG's consultation on the first set of draft EU Sustainability Reporting Standards, the Voluntary Carbon Markets Initiative's provisional Claims Code consultation, and a submission to the UN High Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities. Additionally, we were invited to a number of roundtables and bilateral discussions to further explore our key points.

The Climate Finance team engaged with the UK's Financial Conduct Authority throughout 2022, advocating for increased scrutiny of the firms and markets it regulates in relation to the disclosure of climate-related financial risk, and to "greenwashing" by financial institutions and listed companies. During the autumn, we wrote to the FCA's Enforcement division to highlight our work with Australian partner, the Environmental Defenders Office (EDO), to support and assist EDO on behalf of The Plains Clan of the Wonnarua People and Lock the Gate Alliance. EDO's complaint (lodged with Australian regulators) alleges that by disclosing net zero targets that fail to align with pathways to net zero emissions by 2050, Glencore's climate change commitments give a false impression about how the business is working to achieve a sustainable transition. Our letter pointed to the regulator's duties when listed companies may be greenwashing in their corporate reporting and called on the FCA to coordinate with ASIC in a robust response.

In October 2022, we withdrew our case against the Belgian National Bank after the European Central Bank reformed its corporate bond purchase programme to take into account climate considerations. As the Bank had addressed the very concerns that we had raised, our case had achieved its aims and it was no longer necessary to proceed on appeal.

US Greenwashing

We recently brought our first case in the U.S., bringing a lawsuit under the District of Columbia's Consumer Protection Procedures Act (CPPA) against Washington Gas. As co-plaintiff with US PIRG and Environment America, we allege that the gas utility has made misleading claims in its marketing and advertising regarding the environmental aspects of natural gas, its role in the energy transition and so-called "renewable gas". The role of gas in the net zero transition (gas as 'lower-carbon') is a key greenwashing theme, an enabler of business as usual behavior in the oil and gas sector and a key consumer issue in transitioning home heating. Gas-related advertising (for example, gas as 'clean') in the US is particularly aggressively misleading, including in light of the vested interests of the fracking sector in the US and claims relating to gas' role in transition in various respects. We want to establish that public utilities have an obligation to be truthful in their advertising, and to stem the trend of representing gas as an attractive avenue for transition.

Energy Transition

The EU's energy system contributes the vast majority of the bloc's climate-harming emissions. We are accelerating the closure of coal plants across Europe, improving legal, policy and

regulatory frameworks to remove the market barriers for a greener, fairer and de-centralised energy market, and working to ensure public spending supports a just transition.

Energy Systems and State Aid

We continued our extensive advocacy on energy issues at EU level, and the European Commission's new draft on the reporting requirements for Member State National Energy and Climate Plans includes suggestions from ClientEarth.

We continued our legal action against the Taxonomy Climate Delegated Act (CDA) that classifies forest biomass burning, certain biofuel and plastics activities as sustainable. With partners WWF, T&E and BUND, we submitted another Internal Review Request (IRR) against the inclusion of fossil gas-based activities in the Taxonomy Complementary Delegated Act, a supplement to the CDA that added fossil gas-based activities to the list of sustainable activities. The purpose of the Taxonomy Regulation and its delegated acts is to channel private and, by extension, public investments towards 'sustainable' economic activities. False classification would maintain or increase financial support to unsustainable activities and distort the market to the detriment of genuinely sustainable ones.

We pushed for robust governance and distribution network planning requirements in the Gas Package (the revision of the EU gas market rules). We drafted amendments, in cooperation with Global Witness and others, to improve public participation in transmission network planning and require distribution network planning, and to ensure that such planning complies with EU climate targets and the energy efficiency-first principle. We will continue to monitor progress on this file throughout 2023.

We submitted comments in response to the Commission's proposal to amend the Recovery and Resistance Regulation. This legislative proposal risks waiving certain core environmental protections to finance fossil fuel projects, which the Commission has deemed (with limited transparency) critical to address immediate security of supply concerns. Our proposed changes maintain protections (do no significant harm, public participation and transparency) while still allowing for security of supply concerns to be effectively addressed. The Regulation is likely to be finalised in mid-2023.

We participated in the development of the new campaign framework for the Europe Beyond Coal (EBC) network (now Beyond Fossil Fuels, BFF), in particular its strategic strand on Energy Market Design. We are leading discussions with civil society experts and others in the EBC network to develop a strategy and action plan so that EBC can have an impact in this area.

At Member State level, we made several submissions to the European Commission regarding the formal investigation on compensation payments for German lignite operators. We are awaiting a decision. We also provided a legal opinion on whether the system of avoided grid fees in Germany (a hidden subsidy that mainly supports decentralised fossil fuel generation, as proposed by the German government) can qualify as State aid and determined it could be declared incompatible with the internal market. However, the German Parliament did not follow through with the proposal due to severe lobbying by the industry.

Energy Systems Asia

ClientEarth has continued to expand its work in Asia this year. In addition to our established office in Beijing, we have built a regional team of 14 experienced law and policy specialists across multiple jurisdictions. We are working collaboratively with governments, the private sector and civil society to accelerate the region's clean energy transition. We are helping to embed climate change in regulatory, policy and investment decisions across the region. We are building judicial and legal capacity to strengthen the environmental rule of law.

We worked with the Asia Investor Group on Climate Change on *Net zero engagement in Asia: A guide to shareholder climate resolutions*, to support effective corporate engagement on climate change. In the

guide, 11 leading corporate law experts from across the region provided analysis on the framework for shareholder climate resolutions in Japan, South Korea, India, the People's Republic of China, Hong Kong SAR, Malaysia, Singapore, Indonesia, Thailand, Vietnam and the Philippines. The launch brought together regulators, institutional investors and corporate law experts to discuss effective corporate engagement for the net zero transition in Asia.

In the Philippines, we supported the Commonwealth Climate and Law Initiative and the Institute of Corporate Directors in launching a new legal opinion on directors' duties and responsibilities and disclosure obligations under Philippine law on climate change risks. The opinion provides a valuable legal framework for managing climate risks and pursuing opportunities as the Philippines transitions to a net zero economy.

We also continued our support for ten university law school environmental law clinics in the Philippines. This collaboration aims to develop specialist expertise in energy, environmental and climate law and build the next generation of environmental lawyers.

Our broader regional team was active in regulatory and private sector engagement on the energy transition, green finance and the role for the law and legal profession in the net zero transition. Asia continues to be an important focus for the growth of our global team and programmes.

Fossil Fuel Infrastructure

We contributed to the revision of the Industrial Emissions Directive (IED) that regulates pollution from around 52.000 large industrial activities, to make it fit for the EU climate goals and zero-pollution target. Our involvement contributed to a more ambitious proposal of a new IED by the European Commission, including stricter energy efficiency standards and justice provisions – including a major breakthrough of a new compensation right for victims suffering from health damages caused by unlawful industrial operations. This compensation right is a blueprint for other EU environmental legislation. We continued to advocate for an ambitious IED towards the European Parliament and Council who tend to water down the proposal. Together with our NGO coalition partners, including the European Environmental Bureau (EEB), CAN Europe, Greenpeace, Carbon Market Watch and ECOS, we held a workshop for representatives of Member States to address key concerns to ensure a real transformation of industrial installations on the ground. The EU legislators are expected to adopt the final IED later in 2023.

In Poland, we continued to work on our five Polish Climate Cases, each supporting a different citizen to take the Polish government to court over its 'regressive' climate stance and failure to act to reduce greenhouse gas emissions. The cases are at different procedural stages and will continue to progress in court in 2023.

Our legal case against the Bełchatów power plant in Poland also continues, and we are currently awaiting further action from the court, with a hearing expected to take place in 2023.

In Germany, our legal action against the Datteln IV coal plant is ongoing. The case is aimed at the operational permit and building plan for the plant. The court decision declaring the latter unlawful in 2021 was appealed by the City of Datteln, as well as the operator. The appeal as well as the decision on the permit are pending. A hearing on the appeal is scheduled for the 6th of December 2023.

We continued to support a claim by BUND Brandenburg against the operating plan for the Welzow-Süd lignite mine. The challenge to the permit is based not on environmental grounds but instead on the lack of financial security for remediation of the area after the mine closes. We secured an early win on legal standing, when the Court upheld our interpretation of the Aarhus Convention and broadly interpreted when a case is "related to the environment" such that eNGOs have legal standing. This outcome, which ClientEarth has argued for decades, but which surprised some legal experts, is the subject of a forthcoming law journal article by Mascha Klein. The case is ongoing and is on appeal following the court's rejection of the claim.

With our partner DUH, we launched a lawsuit against the state government of North Rhine-Westphalia demanding effective measures to tackle mercury pollution of surface waters. The lawsuit is aimed at enforcing the EU Water Framework Directive and asking for better abatement technology to be used in coal-fired power plants.

After publishing a legal briefing on how the coal phase-out could be moved forward to 2030, we were invited to an expert hearing in the German parliament on the revision of the Coal Phase-Out Law. We made an opening statement, answered questions from MPs and submitted a written statement. Our demands were taken into account and though the outcome is far from what would be needed in terms of climate ambition, it is a success and can be attributed to our contribution that for the first time the (revised) Coal Phase-Out Act explicitly refers to the targets in the Climate Protection Act.

In Italy, following joint legal action by ClientEarth and WWF to challenge the permit of coal power plant Federico II, operator ENEL committed to shutting down the coal units of the power plant. To ensure this outcome, we continued to pursue our case in court. In July, the Administrative Court of Rome confirmed that ENEL is obliged to phase out the plant's coal units by 2025.

In Bulgaria, with our support and input our Bulgarian partners Za Zemiata (Friends of the Earth) won a preliminary reference case before the Court of Justice of the European Union (CJEU) on March 9, 2023. Legal submissions were drafted in this case in 2022, and AG Kokott handed down a favourable Opinion in September of that year. The European Commission and Italy provided legal submissions in support of our position. The Court of Justice held that Bulgaria violated EU law when it granted the largest thermal power plant in the Balkans, Maritsa East 2 (1,624MW), an operating permit with derogations allowing excessive emissions of health damaging sulphur dioxide (SO₂) for an indefinite time. The limits set went far beyond those associated with the so-called 'best available techniques' under the EU's industrial emissions law, the IED, currently being revised at EU level. The ruling confirms that permits for large industrial activities cannot be granted without considering environmental quality standards from other EU legislation (e.g., air quality standards, but arguably also water quality standards). The judgment sets a strong precedent for other industrial emissions in Bulgaria but may also provide a persuasive legal rationale for the 52,000 large industrial installations across the EU governed by the IED, including chemicals, steel, cement, gas refineries and large livestock farms.

We won several cases, including some notable "firsts". Along with our Serbian partner RERI, we won the first-ever court case against EPS, the state-owned operator of all Serbian coal power plants, for its illegal air emissions. In our case against the European Investment Bank (EIB), we obtained three favourable Ombudsman decisions following our complaint – we have been working to increase transparency of the EIB's operations for almost ten years. Implementation of the Ombudsman's suggestions would substantially increase civil society's ability to scrutinise its operations. Although the Bank has refused to implement them all at this stage, the decision ensures follow-up and continuous monitoring, not only by the Ombudsman, but potentially by the Aarhus Convention Compliance Committee (ACCC) too. For ClientEarth and our partners, it will be the basis for advocacy directed at the EIB Board of Directors.

Human health

The air we breathe, the food we eat and the water we drink are all polluted. The WHO estimates that almost a quarter of all deaths globally are linked to environmental factors. We work to minimise the use of harmful chemicals and plastics; to safeguard everyone's right to breathe clean air; and to ensure a healthier, sustainable agriculture model in the EU.

Clean air, transport and cities

This year we had several big clean air wins:

- In October, we supported nine claimants in Belgium to take their federal and regional governments to court. While the case is still pending, it has already led to immediate impact. In particular, following our legal pressure, Belgian authorities have updated the Belgian Air Quality Index and are now the first authorities in Europe to publish an AQI in line with the most recent 2021 WHO guidelines.
- In September, we launched our case to establish the right to clean and healthy air in Germany. Seven claimants from three cities sued the federal government, claiming air pollution caused their health issues and the legal framework is not enough to protect them. They have filed a constitutional complaint. We are now in touch with the UN Special Rapporteur on Human Rights and the Environment and the UN Special Rapporteur on toxics and human rights, who have both expressed interest in submitting an *amicus curiae* to support our case.
- In November 2022, we supported two parents in Turin, Italy, to file a compensation claim concerning the health effects of air pollution on their six-year-old son. The child suffers from complex health issues linked to poor air quality. With medical and environmental experts, we produced a report evidencing the link between air pollution and the claimant's health.

These three litigation cases come at a crucial time, as the EU Commission published a proposal to review EU air quality laws in October 2022. We have managed to influence the proposal, by ensuring it includes many of our key asks on the level of ambition, the governance and enforcement system and access to justice. We are now advocating with the European Parliament and the Council to ensure the adoption of ambitious new laws to protect people from air pollution.

In the UK, the government set out a new stricter legal target for PM2.5 pollution under the Environment Act 2021, which is in line with 2005 WHO guidelines, but with an attainment deadline of 2040. While the target level is ambitious, the attainment deadline has been set too far into the future and still leaves space for inaction. We are now increasing the pressure to ensure that a meaningful delivery plan is committed to, with the policies and measures necessary to protect people's health.

Clean Air Zones (CAZs) launched in Bradford in September 2022 and Bristol in November 2022. The Mayor of London announced in November 2022 that he was committed to expanding the Ultra Low Emission Zone to cover the whole of Greater London in August 2023. This follows government plans published in response to ClientEarth's successful legal rulings in the UK. CAZs and Low Emission Zones (LEZs) are the most effective way to reduce harmful and illegal levels of NO2 pollution.

In December 2022, ClientEarth Poland and our local partners submitted complaints to the European Court of Human Rights on behalf of Polish residents. We are arguing that the Polish government violates their human rights duties in the context of the right to clean and healthy air. A widespread media campaign accompanied the legal work.

We filed a judicial review claim in Spain in cooperation with our partner, IIDMA. We are challenging the Spanish government's refusal to disclose information relating to the Nissan Qashqai. This vehicle is known to contain a specific form of defeat device technology that tampers with emissions controls and leads to excessive levels of pollution in real-world conditions.

Harmful Chemicals

We made progress on the transparency of pesticides used in the EU. We successfully advocated for an ambitious revision of an EU regulation on agricultural data, which now organises the collection and publication of data on the use of pesticides - with full effect from 2027. But as not all relevant data will be collected, we also launched two national cases requesting access to farmers' records of pesticide use in Belgium and Spain.

We successfully mobilised a network of stakeholders to increase the scope of the restrictions on the use of microplastics proposed by the European Chemicals Agency, so that all main uses are covered and exceptions as well as transition periods are limited. We followed the file closely, challenging delays and pushing for a broad restriction.

We harnessed ten years of knowledge and working with the EU REACH Regulation to develop and disseminate proposals to allow the EU legal framework to bring chemical pollution within planetary boundaries. This includes a coherent approach to regulating the most harmful substances, which ensures their identification, their phase out and the accountability of polluters.

Forests, land conversion and trade

Globally, forests have decreased by 129 million hectares in 25 years. We build the legal capacity of civil society to influence forest law reform to ensure more sustainable and equitable forest governance. We work on the implementation and enforcement of legislation on illegal logging and advocating for the development of new requirements for companies placing commodities associated with deforestation on the EU and UK market.

Working with other NGOs, we undertook continuous advocacy on the EU Deforestation Regulation, pushing EU institutions to formulate a robust regulation that strengthens the EU's role in forest protection through regulation of forest-risk commodities entering the bloc. This included the formulation of a set of comprehensive amendment proposals for the consideration of MEPs on how to strengthen the EU Deforestation Regulation, covering ClientEarth's key advocacy priorities and legal advice on access to justice provisions. The final text of the Regulation, adopted by the EU in December 2022, includes relatively strong access to justice provisions: public enforcement of the law has been strengthened and allows for public and civil society organisations to file concerns to enforcement agencies in EU Member States when they deem that a company has not followed the rules.

We published a report disclosing our assessment of Poland's laws on forest governance, and have also been involved in several cases regarding potential illegal logging activities in the Polish Carpathians.

We continued working with partners in Liberia, Ghana, Ivory Coast, Gabon and the Republic of Congo, and began the process of scoping future work in the Democratic Republic of Congo. In Southeast Asia, we helped strengthen the Cambodian Protected Area Law and supported the Association of Southeast Asian Nations (ASEAN) to create the ASEAN Guiding Principles for Effective Social Forestry Legal Frameworks. We continued scoping work in Indonesia.

Oceans

One of the biggest impacts humans have on the ocean is through fishing, and unsustainable fishing continues to be the most immediate and significant threat in European waters. Marine ecosystems face the additional pressure of plastics pollution, which is a growing threat. We work to ensure sustainable fishing and promote stronger laws to reduce plastic supply and make producers bear the real cost of plastic on the environment.

Fisheries

In 2013, the EU brought in legislation setting out a legal deadline: catch limits for all fish stocks must be set sustainably by 2020 at the latest. Yet the Council of the European Union continues to set catch limits too high. Our case with Friends of the Earth in Ireland challenging the validity of those catch limits was referred to the Court of Justice of the European Union. Challenging the validity of an instrument of EU law is a first for ClientEarth and has huge implications for the Total Allowable Catch (TAC)-setting

process as a whole. The process has, until now, been run on governments' assumptions that they will not be challenged. The Irish judgement sets a good precedent for our parallel case in France and our Request for Internal Review with the European Council.

Thanks to the recent amendment to the EU's Aarhus Regulation, which expanded the ability of NGOs to challenge EU administrative acts that breach environmental laws, we also brought a direct challenge to the EU TAC Regulation, in which the Council of the European Union sets these limits.

Since launching our complaint on the inadequate enforcement of fisheries rules in the Netherlands, we have seen notable changes in the way controls are carried out. The Dutch fishing authority has recruited around 20 new fisheries inspectors and has improved its instructions on carrying out inspections and imposing sanctions. We do not yet have evidence that this is leading to a decrease in overfishing and illegal fishing, but will continue to monitor the situation. Our case before the Dutch courts continues.

Sustainable Seafood

After more than a decade of support as the Secretariat to the Sustainable Seafood Coalition (SSC), with amazing achievements over the years, ClientEarth decided it was time to refocus its seafood work onto more firmly grounded legal duties rather than voluntary market engagement initiatives. At the end of 2022, ClientEarth successfully passed on the torch to a new organisation, which will continue its legacy and guide the members of the SSC towards sustainable industry-led initiatives tackling the environmental challenges in seafood supply chains.

ClientEarth significantly influenced the building of a common statement on Marine Biodiversity of areas Beyond National Jurisdiction (BBNJ), supported and signed by more than 85 seafood companies including Tesco, Lidl, Aldi, Ahold and more. In this statement, they recognised commercial fisheries as the main driver of biodiversity decline in the high seas and called for the transformative change required to address the climate and biodiversity crises, including increased protection of the High Seas.

The Seafood team's work on Illegal, Unreported and Unregulated fishing (IUU) has been picked up on various occasions by organisations and institutions, notably two of our reports: "Digitising the control of fishery product imports – A panorama of the systems in place in the EU and ways forward", and "Spain – A progress report on a decade of combatting IUU fishing" were directly quoted in a publication from the European Court of Auditors (ECA) on IUU. Our work on IUU was nicely concluded by an event we organised with the IUU Coalition in Spain, which was picked up by the press and well attended by businesses.

Plastics

We launched our first plastics-related case under the French Duty of vigilance law by filing a lawsuit against Danone. We believe that Danone failed to comply with the law as it did not address the issue of plastics and its negative impact on the health of people and the environment in its "vigilance plan". This case resulted in widespread media coverage and offered an opportunity to finally make plastic-using companies accountable for the full life cycle impacts of their plastic.

We successfully intervened in support of the European Commission, which was being sued by six packaging companies seeking the annulment of the labelling requirements under the Single-Use Plastics Directive (SUPD). This requirement was something we had worked incredibly hard on during the SUPD adoption and its implementation. The companies withdrew their case after our intervention and were ordered to pay our lawyers' fees.

Wildlife

Biodiversity is under increasing threat; 1 million species of plants and animals face extinction, many within decades. We enforce EU biodiversity laws and hold Member States to account. Agricultural spending amounts to almost 40% of the whole EU budget, yet the sector does not really engage in mitigating climate change nor biodiversity decline. We use advocacy and litigation to align the Common Agriculture Policy (CAP) with EU environment legislation.

Wildlife and Habitat loss

The European Commission's proposal for the Nature Restoration Law, the most important biodiversity law in Europe in 30 years, was published in 2022. It includes important provisions, such as safeguarding restored areas and comprehensive national restoration plans. This required early and consistent engagement with the European Commission through various fora and extensive advocacy in the European Parliament, to strive for ambitious negotiating positions in both institutions.

The Kunming-Montreal Global Biodiversity Framework, adopted in December 2022 during the 15th UN Biodiversity Conference (COP15), aims, among other things, to protect and restore over 30% of the planet by 2030, ensure the sustainable use of biodiversity and improve biodiversity governance globally. For over three years, we have been actively contributing to the preparation, development and successful adoption of the Framework. During COP15, we advocated for effective transparency and accountability mechanisms, providing countries the best possible chance to meet the 2030 targets. The final framework bettered the expectations of many and represents an important step forward in global governance of biodiversity.

We helped save the UK's largest sandbank from bottom trawling, an environmentally destructive fishing technique. Following our legal interventions and advocacy with our partners, the UK government prohibited this practice in the Dogger Bank, an important site off the East coast of England for species including sand eels, hermit crabs, flatfish and starfish.

We contributed to the adoption of new EU conservation measures to stop the bycatch of the critically endangered Baltic harbour porpoise. Additionally, following a legal complaint and advocacy with our partners, the Commission advanced its enforcement actions against several Member States regarding the effective protection of dolphins and porpoises.

We are working on implementing the EU Biodiversity Strategy through development of a robust, resilient, well-managed and well-funded network of protected areas in Europe. In Poland, we prepared a legal and financial analysis aimed at creating more national parks and we launched several national and international legal interventions to protect old-growth forest against intensive logging in Poland and Romania.

Agriculture

In 2022, we launched our first cases at EU and national level. After the advocacy work on the Common Agricultural Policy (CAP), we monitored its implementation and decided to challenge the French CAP Strategic Plan, which regulates how CAP subsidies are distributed in France.

We launched our legal action contesting the approval by the European Commission of the French CAP Strategic Plan. We allege that the plan is in breach of EU environmental and climate law and, therefore, that the European Commission should not have approved it. We targeted France because it is the biggest recipient of agricultural subsidies, receiving more than seven billion Euros per year in direct payments. The challenge was launched in November with a broad coalition of French NGOs, including

organic farmers and small farmers' associations. We are awaiting a response from the European Commission.

In the aftermath of the Russian invasion of Ukraine, agro-food lobbies have used food security as a tool to undermine environmental and climate commitments, delaying the actions announced in the EU Farm-to-Fork Strategy. In this scenario, advocating for a shift towards healthy, socially and environmentally friendly farming practices has been more and more challenging. However, we have continued to engage with EU institutions, together with our partners, to highlight that only environmental and climate positive agriculture provides the path to ensuring long-term food security, and the overall sustainability of food systems.

We submitted our response to the European Commission's public consultation on the Sustainable Food Systems Law. This law represents the perfect opportunity for the EU to build a resilient food systems that operate within planetary boundaries, safeguard climate, biodiversity and natural resources - such as water and soil - and uphold the right to healthy and sustainable food for present and future generations. To cover the broad range of this law, we collaborated with colleagues from teams including fisheries and seafood, chemicals, trade and fundamental rights. ClientEarth is now considered a key stakeholder and has been invited as a member of the European Commission's Advisory Group on the Sustainability of Food Systems. We supported the evidence gathering for the European Commission's impact assessment of the future law.

We also launched our first national litigation case, in Italy, targeting intensive hazelnut production causing water pollution and ecosystem degradation in the Vico Lake. Due to the heavy use of agro-chemicals, the water of the lake, supplying drinking water to two municipalities, is no longer drinkable. This heavy pollution has also severely degraded the aquatic habitat. For these reasons, we challenged the inactivity of the competent public authorities in applying the Nitrates Directive, Drinking Water Directive and Habitats Directive.

Challenges in 2022

In 2022, ClientEarth faced a number of internal and external challenges:

- **Implementing our new organisational design** – throughout 2022, we undertook a substantial amount of work to implement a new organisational design including a new leadership structure. We saw significant organisational transformation in a relatively short space of time, which presented risks and challenges as we worked to bring all the pieces together and take all our staff on the journey with us. These changes are now complete and beginning to settle in.
- **Leadership transition** – after 15 years as CEO, James Thornton stepped down and the Board appointed our new CEO Laura Clarke, who joined in September 2022. James continues to support ClientEarth in his new role as Founder and President.
- **Ensuring continuity of funding during a period of transition** – ensuring funding proposals are adapted to reflect our new regional programme strategies and presenting our new strategic framework to our donors.
- **Cost of living crisis and inflation** – inflation had an impact on our operating costs, and volatile currency and investment markets had an impact on our income, investments and current assets. Going in to 2023, we adjusted our budgeting assumptions and continue to monitor these risks closely.

- **Global geopolitical shifts** – the war in Ukraine and growing tensions between China and the US have the potential to impact on both our programmatic work and our operations. We are monitoring these and responding as necessary.
- **SLAPP risks** – this remains a key risk, especially as our profile increases. As we bring a higher volume of high-profile cases, the risk of ClientEarth being targeted with a SLAPP suit (a Strategic Lawsuit Against Public Participation e.g. a defamation claim or similar retaliatory attack) increases. Over the last four years, we have done a substantial amount of work to assess and take steps to mitigate these risks, but they are ever present.
- **COVID and hybrid working**: The ongoing pandemic and connected shift to hybrid working was a challenge we continued to navigate in 2022. Further investments were made in our IT systems to enable successful flexible working, and staff well-being to support our staff.

Future plans

A key priority for 2023 is to ensure that all our work is aligned to the new Strategic Framework, in order to maximise our impact in the year ahead. We are finalising global, regional and country strategies aligned to the Strategic Framework and our five-year financial model. These strategies will provide further direction for our work, aiming to maximise our impact, while providing flexibility to adapt to shifting circumstances and devise creative and innovative work. Our goal is to consolidate and refine our impact in Europe, grow our impact and presence in Asia and North America and build on and expand our work with partners in Africa and South America.

Europe

The majority of our programmatic work is delivered in Europe. We will build on our portfolio of European projects by embedding a systems-change approach in our strategies, to ensure our interventions lead to large-scale and sustainable impact. Our work in Europe is designed to have a global impact by capitalising on Europe's influence across the world.

Some of the key priority areas for Europe include:

- Holding corporates accountable for environmental degradation and climate impacts.
- Establishing that biodiversity loss, chemicals and plastics all present business risk, just as climate does.
- Halting misleading claims ('greenwashing') by corporates and financial institutions.
- Greening financial flows and diverting investment away from climate and nature-damaging activities.
- Establishing the right to a healthy environment as a fundamental human right.
- Decarbonising the fishing industry.
- Ensuring Europe's laws and policies make it a leader in sustainable food systems.

Asia

We work across the region to accelerate the energy transition, protect ecosystems, fight pollution and strengthen environmental rule of law. Our new Asia regional strategy brings together our well-established work in China with our growing work in Japan and Southeast Asia. Growing our work in Asia

is a key component of our global strategy, as the course of development in the region could make or break the global climate and nature crises.

Some of the key priority areas in Asia include:

- Accelerating the energy transition through policy and regulatory engagement, corporate law and investor strategies.
- Working to green investments and trade, including the Belt and Road Initiative and supply chains.
- Expanding capacity-building of judges, prosecutors, legal professionals and civil society.

North America

We will grow our North America presence, working with ClientEarth US, to bring our expertise using corporate and financial law to influence decision-making and financial flows within energy and food systems, so that they are aligned with the goals of the Paris Agreement. The role of the private sector in the transition is absolutely crucial, and nowhere are the levers, impacts and opportunities for corporate Paris-alignment more pronounced than in North America or the global consequences of failure more dire.

Some of the key priority areas for North America include:

- Advancing strategies to delineate the role of company directors in considering climate risk.
- Halting misleading claims ('greenwashing') by corporates and financial institutions.
- Monitoring the use of carbon credits or offsets.
- Promoting the emergence of model corporate practices.

Africa and South America

We will build on our past successes to develop our work with partners in Africa and South America, home to the largest, most biodiverse and globally important biomes on the planet. To do this, we will set a new partnership strategy to equip us to work effectively with others and to contribute to the strengthening of civil society in these regions.

Some of the key priority areas for Africa and South America include:

- Promoting the enforcement of legislation regarding supply chains for forest-risk commodities.
- Expanding our forest governance work from West and Central Africa to new geographies.
- Ensuring corporate accountability and due diligence for deforestation in the Amazon & Cerrado.
- Promoting the full realisation of indigenous peoples' rights.

Organisational transformation

As we enter 2023 in a brand new organisational structure, we will be monitoring the implementation of the new organisational design, making adjustments where needed, to ensure that the new model successfully supports ClientEarth's transition to a global organisation. We will focus on improving our internal information flows and knowledge management, both of which are key to making our new organisational structure and operating model work efficiently. A key priority is to boost diversity and wellbeing across the whole organisation. The ultimate goal is to create an enabling internal environment where everyone at ClientEarth can do the best work of their lives, including streamlined systems and processes, fewer and better meetings and clearer and faster decision making.

Monitoring, evaluation and learning

ClientEarth's aim for Monitoring, Evaluation and Learning (MEL) is to generate meaningful insights about our work to enable learning, innovation and improvement. This will help us to maximise efficiency and effectiveness in how we deploy our resources. It will enable us to make evidence-based decisions about how to prioritise strategically, in order to achieve greater impact. In February 2022, we appointed a new Head of Impact and Learning to guide this work.

To support the organisational transition to the new Strategic Framework, which identifies 'changing systems' as one of our three strategic anchors, the Impact and Learning team have been working to embed systems approaches across the organisation. This is foundational to delivering our strategic priorities and adapting our MEL frameworks to the new Strategic Framework. Over the next year, we will build an approach to MEL that captures insights and learning at different levels - from the systems we seek to influence, to the types of interventions we deploy, to the countries and regions in which we operate.

We are extending the scope of MEL from our legal actions to how we achieve change as a whole organisation. As part of this, we have undertaken an assessment of ClientEarth's partnerships, examining the types of partnerships we engage in and why. We now have a framework to help us assess the effectiveness and maturity of partnerships, and how we can be more strategic with them. We have also been strengthening our efforts to learn as an organisation. New opportunities for colleagues to engage with learning include a toolkit to facilitate learning, and a newsletter and a podcast.

Structure, governance and management

The charity is a company limited by guarantee and is governed by its memorandum and articles of association. The trustees, also the directors for the purpose of company law, who served during the period are listed on page 2. 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 four times a year. There are five board committees, covering (1) Programmes and Impact, (2) Finance, Audit, and Investment, (3) Governance and Risk, (4) Executive Performance and Remuneration, and (5) Equality, Diversity and Inclusion. All committees meet four times a year ahead of board meetings, except for the Remuneration Committee, which meets on an ad hoc basis.

The Charity Governance Code recommends that large charities commission external reviews of their governance every three years. In 2021, the Board commissioned an external review of governance and board effectiveness against the Charity Governance Code. The recommendations from this report were approved by the Board and are intended to ensure that ClientEarth operates under the highest standard of governance. While the external consultant concluded that the Board largely met the recommendations of the Code, recognising that the Code enhanced the principles on Equality, Diversity and Inclusion, the Board agreed that further attention was needed in the areas of term limits and diversity. These issues are being addressed via active trustee succession planning and recruitment of new trustees. An on-

going implementation plan to deliver the recommendations is being overseen by the Governance and Risk Committee.

New trustees are appointed by the Board through the Governance and Risk Committee. They are selected on the basis of their alignment with ClientEarth’s charitable objects and their ability to further those objects as a trustee. The 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 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 have now adopted term limits. All new trustees serve three-year terms. Trustees are eligible to remain on the Board for up to two terms. A final term can be extended by the Board in special circumstances, such as in order to meet a skill or experience gap.

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), Laura Clarke, who is supported by an Executive Team and a Global Leadership Group (GLG).

ClientEarth offices and programmatic structure

ClientEarth offices

ClientEarth has its global headquarters in London. The headquarters accommodates the majority of the core functions of the charity such as the CEO’s office, finance, development, communications, human resources and administration and IT teams. ClientEarth also has a number of offices throughout the world and it operates in many countries throughout Europe, Central and Eastern Europe, Central and Western Africa, and Asia Pacific through partners and sub-grantees.

ClientEarth Trading Ltd is a trading subsidiary of ClientEarth in the UK. ClientEarth is the sole member of the company. In 2022 the subsidiary only carried out small-scale non-primary purpose trading activities.

ClientEarth in Europe

Country		Legal Form	Year of Formation
Belgium	ClientEarth AISBL	International non-profit association (AISBL)	2018
Belgium	ClientEarth ASBL	Branch of ClientEarth Limited	2008 (currently inactive)
France	ClientEarth France	French Foundation	2011 (currently inactive)
Germany	ClientEarth gGmbH	Limited Liability Company	2018

Luxembourg	ClientEarth ASBL	Non-profit association	2017
Poland	Fundacja ClientEarth Prawnicy dla Ziemi	Polish Foundation	2016
Spain		Branch of ClientEarth Limited	2023
UK	ClientEarth Trading Limited	Trading subsidiary of ClientEarth Limited	2020

In January 2023, ClientEarth established a registered delegation in Spain, Fundación ClientEarth Delegación en España. In 2023, we will be transferring the activities of Spanish branch of ClientEarth Limited to the Fundación ClientEarth Delegación en España.

There is also a related but independent entity in Germany, ClientEarth – ANWÄLTE DER ERDE, which operates as a Registered Association. The executive body of this Registered Associated is comprised solely of senior staff of ClientEarth.

ClientEarth in Asia and the Pacific

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

In late 2022, ClientEarth established ClientEarth Oceania Limited and ClientEarth Oceania Trust in Australia. The entities were dormant in 2022 and are only expected to become active late in 2023, once charitable status is confirmed by the Australian Charities and Not-for-profits Commission.

In mid-2023, ClientEarth will be establishing a new entity in Japan.

ClientEarth in the Americas

There is a related but independent ClientEarth entity in the US, ClientEarth USA Inc., which operates as a 501(c)(3). Two directors from ClientEarth sit on the board of ClientEarth USA Inc. and the president of ClientEarth USA Inc. is also the CEO of ClientEarth. ClientEarth US Inc. also has the power of making grants and contributions and otherwise rendering financial assistance to ClientEarth.

Trading company activity

In March 2022, a photography exhibition was held at the central London Huxley Parlour gallery. This event was the end of a project with photographer Dan Wilton, who travelled across Europe documenting

the impact of the coal industry on communities throughout the continent. ClientEarth produced 22 prints from the images of the photographer to be displayed at the exhibition, three of which were sold at the event and the other 19 were donated to the ClientEarth charity.

Climate change and environmental policy

ClientEarth is committed to reducing energy consumption and waste by encouraging staff, trustees and board members to adopt sustainable practices and behaviours whilst working on behalf of ClientEarth. We plan to halve our carbon emissions from our operations by 2030 and to eliminate emissions by 2050.

Our Environmental Policy sets out guiding principles to help the organisation reduce our emissions, consumption of resources and waste by ensuring that, where relevant, environmental impacts are considered fundamentally when making decisions in our operations and programmatic work. The policy includes guidance in facilities management, recycling waste management, procurement and travel. ClientEarth's Environmental Policy and the principles are endorsed by the Executive Team and can be found on the ClientEarth website. The Chief Executive is accountable for the policy and it is subject to periodic review.

Carbon emissions

This is the first year that ClientEarth has reported on its energy consumption and carbon emissions. We have followed best practice based on HM Government Environmental Reporting Guidelines (March 2019), the Greenhouse Gas Protocol (GHG) Reporting Protocol – Corporate Standard and from the UK Government GHG Conversion Factors for Company Reporting document for calculating carbon emissions.

We present our report on energy use and carbon emissions under the Government's Streamlined Energy and Carbon Reporting (SECR) framework here:

UK emission scope summary	Calculated emissions (tCO ₂ e) 2022	Energy usage (kWh) 2022
Scope 1 (direct emissions)	Nil	Nil
Scope 2 (indirect GHG emissions - electricity)	14.22	73522
Scope 3 (other indirect GHG emissions)		
WFH - electricity	0.78	4022
WFH - gas	9.43	52382
Waste water	Unknown	
Business travel	227.83	

Total UK	252.26	129926
Non-UK business travel	155.31	

During 2023, we will be carrying out a full audit of our carbon emissions across other aspects of our operations and activities to help support us in setting emission targets.

For our offices and operations outside of the UK, ClientEarth is often a subtenant in offices where it is a challenge to obtain data on energy consumption. In 2023, we will be making further efforts to accurately track emissions from our energy suppliers outside of the UK to enable us to report globally and on the progress in reducing emissions.

Scope 3 travel data is captured from ClientEarth's own internal tracking systems. In 2023, we plan to extend our tracking to include Scope 1 transport data.

We are required to report emissions against an intensity of output measure (or normalising factor), so that decreases or increases in output in future years do not disguise changes in energy efficiency/emissions reductions and valid comparisons can be made over time. We have chosen to report tonnes of CO2 equivalent per member of staff (average staff numbers in the UK for 2022 was 137.5).

Intensity ratio	2022
tCO2e / per member of staff	1.832

Risk management

The trustees are responsible for oversight of the risks faced by the organisation.

The Risk Management Policy approved by the Board in 2021 provides a framework to guide the organisation's decision-making on risk management.

The organisational risk register identifies the major financial, regulatory, governance, external, operational and reputational risks to which the charity is exposed, assesses their likelihood and potential impact and details the mitigation measures that are (a) already in place and (b) necessary to implement. The trustees of the Governance and Risk Committee review changes to this risk register on behalf of the Board at each Board meeting and consider any further steps which may be necessary to manage the risks, highlighting key issues to the full Board as relevant. Then once a year, the full Board will examine the register in detail. The trustees consider the most serious risks to which the charity is exposed to be:

- The risk of lawsuits or defamation cases targeting our work that might damage reputation. In recognition of this risk, ClientEarth has a Risk & Compliance Committee to oversee compliance and risk, reporting to the Executive Team, GLG and the Governance and Risk Committee of the Board. Beginning 1 January 2023, this internal Committee has evolved and been replaced by a Governance & Legal Services Department, comprised of nine full-time and two part-time staff, including six lawyers, which manages and has oversight of ClientEarth's governance, risk and compliance, legal services and litigation approvals and management.
- The risk of cyber-attack that results in loss of data. The GLG ensures cyber insurance is in place to support business interruption. There is a regular programme of activity to raise awareness of

cyber-threats, including phishing. In 2022, the organisation embarked on a digital transformation to improve the resilience and security of the organisation wide IT systems, including a move to a cloud environment and increased system and data monitoring and mobile device management which allows data on ClientEarth devices to be remotely deleted.

- The risk that our programmatic work leads to certain sensitive political and corporate actors seeking to damage our reputation maliciously through insider threats and other means. ClientEarth continues to review risks and threats on all initiatives prior to commencement and the political and security risk team has been strengthened. A crisis management plan is in place together with communications strategies together external support.

Other risks:

- Fraud risk: in May 2022, a whistle-blower employed by one of our partners raised concerns about financial management, which were fully investigated, reported to the relevant donors and regulatory bodies and resolved. This matter is now closed.
- Data breach risk: there were no reports of data breaches in 2022. There were several reported near misses, which were fully investigated and resulted in additional mitigation measures being adopted.
- Safeguarding: there were no safeguarding incidents reported in 2022.

Fundraising

2022 was - despite external challenges - a successful year in terms of fundraising. We met and exceeded our income target significantly as all our income channels held up and even outperformed expectations. Our most notable increase was in support from major donors. Both existing and new donors, relationships that we have cultivated mainly online and only in 2022 for the first time in real life since the start of the pandemic, gave generously, and increased support throughout the year. We were able to hold our first in-person events, in the summer for our 15th anniversary and then again in November, the first time in almost three years that we were able to gather our supporters. We attribute our fundraising success to the power of our work, our ongoing efforts to improve communications and feedback on our impact to donors, but also to the chance to reconnect in real life with many of our supporters, some of which met us for the first time this year.

Our grant-making foundations also continued to support our work across the different areas and with an 80% renewal rate, we have been able to retain many of these relationships for the foreseeable future. Whilst the cost-of-living crisis and the pandemic have put many pressures on our supporters, in 2022, we have been largely protected still from an impact on either the foundations or major donors who support us. We have however witnessed the first slowdown in the growth of our newest income channel, digital fundraising. Whilst income has still performed against target, it did so with a time lag, and we have as a result reduced our expectations and pressure on this income channel for the foreseeable future. We still see it however as an important income channel for our work and will continue to scale up and increase our online donor base.

Another highlight of the year was the culmination of the *Artists for ClientEarth* campaign, a series of auctions in collaboration with the Gallery Climate Coalition and Christie's. The last two auctions of the series took place in 2022 with support from Anthony Gormley and Beatriz Milhazes, who both generously

contributed pieces of art. Over two years, the campaign has raised just over £6m of unrestricted funds for ClientEarth, funds we have ringfenced in our designated income.

Donor cultivation was an ongoing focus throughout the year, we have improved and tailored our regular communications to donors and worked hard on improving our feedback. This ongoing effort will continue in 2023, as we continue to develop ways in which we make our work come to life for a wide range of supporters.

To reflect our global ambitions, we have also expanded and developed the team to reflect our new global structure, this includes a more streamlined philanthropy team. This team now also includes dedicated fundraisers for Germany and the US, both key income targets for the future. We also have submitted our registration to receive DGR status in Australia as we continue to build our global footprint and expand our donor base. Our Grants team has also grown to reflect our increased portfolio size and also the complexity that a larger grants portfolio brings with it. As a result, we have recruited our first Grants Compliance Manager to ensure we continue to manage our existing grants in the best way possible.

2022 has undoubtedly been a challenge given the external environment, and we expect a lagging impact of cost of living and pandemic on our income in the coming months, but overall, we are glad to report that we have had a successful year across the board. The challenge will be how to continue on this trajectory.

Fundraising statement

ClientEarth employs an in-house development team, which specialises 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. ClientEarth has a statement of Donor Care in place that reiterates principles of donor care, accountability, transparency on use of funds and data use. ClientEarth also has a clear policy of complaint to ensure concerns or breaches are tackled efficiently and quickly.

People

Through 2022, we embarked on an ambitious redesign of our global operating structures. ClientEarth has grown rapidly in recent years and our existing organisation structure and ways of working were no longer serving us well. This process has involved strengthening our Executive Team by creating three new Chief Officer roles, as well as transitioning our Senior Leadership Team to become our Global Leadership Group – with representation from across all the regions we now work in globally. It has also involved restructuring our programme teams to have a more regional focus (but with joined up global strategic priorities), strengthening our local business services capacity and bringing in new digital systems to underpin how we work in this new model.

This transformation journey has involved making changes at all levels of the organisation and we have been supported by external consultants through the process. At the same time we transitioned from our

founding CEO, James Thornton, to our new CEO, Laura Clarke, who joined the organisation in September 2022.

Throughout this process we have been conscious of the inevitable stress and strain major organisational change creates for people within the organisation. We have continued to carry out regular pulse surveys through the period, run town halls and other engagement sessions, provide learning and development opportunities and offer wellbeing support. As our new model fully embeds in 2023, we hope that this will have beneficial effects on wellbeing and workload across the organisation, whilst at the same time further increasing our impact.

Remuneration

Attracting, retaining and motivating employees is critical to delivering on ClientEarth's mission. This is supported by a process which benchmarks our salary scales against similar roles generally within the charitable sector in the countries in which we work (most recently benchmarked in 2022). The organisation has an annual review process where performance against objectives is evaluated. Staff may be awarded an increase in pay if their scope of responsibility increases. The reviews and any pay awards are conducted in accordance with the policy framework agreed by the Remuneration Committee and within the salary budget agreed annually 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 Remuneration Committee also approves the salaries of the Executive Team and the Founder and President. The Committee includes specialists with significant organisational management expertise and knowledge, including in the charity sector.

Equity, diversity and inclusion (EDI)

ClientEarth is committed to achieving equity, diversity and inclusion across our organisation and through our work. We are working to realise this commitment through our People team, Global Staff EDI Committee, Executive Team and our Board (Trustee) EDI Committee. This gives us a strong infrastructure to drive forward the work, monitor progress and to hold ourselves accountable. In 2022, we rolled out a global unconscious bias training programme, partnering with a provider specialising in working with organisations with offices in multiple countries and in different languages.

In 2022, ClientEarth also provided placements for three people through the UK Government Kickstart Scheme, a DWP programme which provided employment for 18-24 year-olds on universal credit. The placements were successful and one person who worked with ClientEarth quickly found employment in the environmental sector.

ClientEarth was represented on an external EDI Group with a number of other environmental charities. In 2022, the group published the results of an EDI study in which ClientEarth participated and which was led by Wildlife and Countryside Link, demonstrating lack of diversity in the sector and setting out a road map to remedy the problem. We also became active in a similar, albeit more informal external group of environmental charities with offices in Brussels. 2022 also saw work begin on the development of our first long-term global EDI Strategy, based on extensive data collection. The strategy will be rolled out in 2023.

Financial review

In 2022, we secured income of £30,945k (2021: £28,320k), a growth of 9%. As in previous years, most of our income is in the form of restricted grants funding our charitable activities. These grants come from private foundations and governmental agencies, predominantly based in the UK, Europe and the USA, and are restricted to specific projects. In 2022, we successfully increased funding for the following charitable activities: Pollution and Health; Oceans and Wildlife protection; and Forests. We also received a further £1m of unrestricted income from the auctions of donated artwork through Artists for ClientEarth, which the Board voluntarily designated for charitable activities.

Total expenditure increased by 30% to £28,127k (2021: £21,636k) with increased charitable activities expenditure of 29%, primarily across key programmes: Rule of Law; Climate; and protecting Forests and Oceans. We continued to invest in organisational infrastructure including IT, and new office space for our growing teams in Spain and Berlin. Given the nature of our work, staff costs represent 56%, and consultancy services, sub-grants and litigation costs increased to 27% (2021: 22%) of our annual expenditure as Covid restrictions lifted and we were able to increase litigation activity.

In 2022, our fundraising performed above target for unrestricted income, resulting in an operating profit; we also benefited temporarily from unrealised exchange gains on cash and investments held in USD, ending the year with a higher than forecast unrestricted surplus of £2,614k (2021: £2,960k), which is added to Unrestricted Reserves.

Managing key financial risks

Financial resilience: over recent years, we have focused on diversifying income streams to reduce our reliance on key donors. We are making steady progress, with income from our Top 10 donors reducing to 56% of total (2021: 60%); our largest donor provided 25% of our total income (2021: 16%) including the renewal of a two-year grant for our work in Asia. In 2022, we continued to increase our profile and digital fundraising, and secured funding from new philanthropy and foundation donors. We continue to monitor our income mix as one of our key indicators. The three-year fundraising strategy approved by the Board in December 2021 focuses on growing unrestricted income faster than restricted income, to further strengthen financial resilience and support organisational growth, and we are meeting the targets set out in that strategy.

Economic environment: In 2022, like all organisations, we felt the impact of higher cost inflation, which we managed by adjusting inflation assumptions in our budget, carefully managing costs throughout the year to maintain costs at budgeted levels. Foreign exchange volatility, especially GBP against USD led to unrealised gains on exchange from re-valuation of bank balances, which were already un-winding in the last quarter of 2022; we mitigate against exchange risk by holding funds in the currency in which they are received (the donor currency) and are now benefiting from higher interest rates through short-term deposits with our bank. Economic instability also led to a fall in value of investments (see Investment Policy below). We continue to monitor this risk closely in 2023.

Financial regulatory compliance: as ClientEarth increases its global presence, expert advice is taken on specific governance and local regulatory compliance relevant to the jurisdictions in which we operate. In addition, accountants are appointed in these jurisdictions to file financial returns and provide advice. ClientEarth registered for VAT in the UK in 2021, prompted by the auction of donated artworks (a zero-rated supply) that took income over the UK VAT threshold; in addition, a provision was made in the 2021 accounts for a potential prior year VAT liability. The charity is currently working with HMRC to establish the final settlement.

Donor financial compliance and working with partners: we recognise the importance of compliance with donor financial reporting requirements and specific financial regulations. Our dedicated programme finance business partner team works closely with our grants management team to ensure compliance. We recognise that working third parties can increase this risk, and we manage this risk through our due diligence process, use of standard contract templates with the inclusion of donor-specific requirements, and on-going monitoring of partner activity and financial reports.

Investment policy

The primary investment objective is to maintain, and if possible, enhance the value of the invested funds so as to allow ClientEarth to effectively carry out its purposes in the future. A secondary objective is to provide ClientEarth with supplementary income to carry out its purposes effectively in the short term. As such, ClientEarth seeks the best financial return within an agreed level of risk and consistent with its charitable objects, values and programmatic objectives. Both capital and income may be used at any time for the furtherance of the charity's aims and therefore the portfolio is managed on a total return basis.

As a charity with broad environmental objects, we ensure that we act within the guidance of the Charity Commission on investment of charitable funds and in line with the High Court's decision in *Harries* - that trustees should not invest in companies engaged in a type of business that the trustees were satisfied would "conflict with the very objects their charity is seeking to achieve", even if it would be likely to result in significant financial detriment to the charity. ClientEarth therefore excludes from its investment portfolio businesses that cause significant harm to the environment or are detrimental to public health, as this would be in conflict with its charitable objects.

ClientEarth's core expertise is not in investments, so in March 2020 we appointed external investment managers Sarasin & Partners LLP (an authorised person within the meaning of the Financial Services and Markets Act 2000), who are delegated a discretionary mandate, in accordance with the charity's Articles of Association and the Trustee Act 2000. The investment manager is contractually bound to follow the instructions in the policy statement set out in our Investment Policy.

Trustees and key staff receive monthly reports on the performance of the investment portfolio, which are summarised in our Management Accounts. The Finance, Investment and Audit Committee carry out an annual review of performance against market benchmarks with Sarasin & Partners LLP, with interim reports to the Committee throughout the year. The original investment of \$16m in March 2020 had grown by the end of 2021 to just under \$19m but suffered significant losses during 2022 due to economic turmoil, recovering slightly to \$16.6m by the end of December 2022, plus a further \$3.5m invested in November 2022. We have not benefited as much from recent market improvements as these have largely been driven by oil and gas which are excluded from our portfolio. The trustees are satisfied that our investment managers took appropriate action to mitigate against this risk in a very volatile investment market.

The investment is carried at a fair value of £14.0m in the Balance Sheet (2021: £12.8m), including funds added during the year and unrealised gains on exchange of £1,683k which were unwinding towards the end of 2022. Of the total investment, £2,995k was held in liquid assets at the end of December 2022 (2021: £657k), due to the phasing of additional funds placed for investment.

Reserves policy

The charity's reserves policy considers the financial risks that the charity is exposed to and sets the target level of free reserves accordingly at 25% of annual operating expenditure (defined as total annual expenditure, less sub-grant and litigation costs, one-off provisions, and unrealised gains and losses). The target minimum level of free reserves at the end of 2022 increases to £6,045k (2021: £4,199k) due to planned increases in expenditure during the year. Reserves are held to cover unexpected falls in income, to provide bridging funding between grants, to provide rapidly deployable seed funding for new initiatives and to cover cash-flow needs, especially where grants are paid in arrears. As the organisation grows, we closely monitor our projected future target free reserves as well current requirements, to ensure financial stability over the medium term. In 2023, a proportion of unrestricted reserves will fund charitable activities and further investment in fundraising activities.

Overall Reserves at the end of 2022 were £36,044k (2021: £33,370k), made up of:

- Unrestricted Reserves
 - General Funds of £9,947k (2021: £7,333k), which after deducting £816k (2021: £962k) funds tied up in Fixed Assets leaves free reserves of £9,131k (2021: £6,371k)
 - Voluntarily Designated Reserves of £12,703k (2021: £12,827k)
- Restricted Reserves of £13,275k (2021: £13,210k)
- A new expendable Endowment fund of £119k (2021 nil) from an endowment gift in 2022

Reserves review

Unrestricted reserves

At the end of 2022, a net unrestricted surplus of £2,614k (2021: £2,960k) and a lower net book value of Fixed Assets of £816k (2021: £962k) together increased free reserves to £9,131k (2021: £6,371k). This strong performance enabled the charity to continue to meet its minimum free reserves target and budget for further growth in 2023 as we expand our global presence and increase impact through our programmes.

Designated reserves

At the end of 2019, the trustees resolved to designate £12,171k of the generous unrestricted Gilmour-Samson gift, to be used over the following five years to fight climate change and build the capacity of the organisation. During the year, £1,155k (2021: £923k) was spent on initiatives to support work tackling the most pressing environmental challenges including the transition to clean and sustainable energy systems in Europe and Asia, strengthening laws which protect marine ecosystems forests and organisational strengthening.

In 2022, trustees voluntarily designated £1,030k of unrestricted income raised from the final auctions under the Artists for ClientEarth campaign, a series of auctions in collaboration with the Gallery Climate Coalition and Christie's. These funds will support strengthening of public awareness of ClientEarth's work, income generation, delivery of a new strategy including changes to structure and programmes, and in programmes overall.

Over the period of our next five-year financial plan that accompanies our new strategic framework, total expenditure exceeds total income, as these funds are used according to the agreed designation.

Restricted reserves

We spent down restricted funds received in prior years, and secured new funding, finishing 2022 with a total balance of restricted funds of £13,275k (2021: £13,210k). Due to donor giving cycles, this includes grant funding received at the end of the financial year for charitable activities in 2023.

Based on the healthy reserves position and fundraising pipeline, the Trustees are satisfied that there are no material uncertainties in relation to going concern.

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 (including the Strategic 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 2019 (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.

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.

Disclosure of information to the auditors

Insofar as each of the trustees of the charity at the date of approval of this report is aware, there is no relevant audit information (information needed by the charity's auditor in connection with preparing the audit report) of which the charity's auditor is unaware. Each trustee has taken all of the steps that they

should have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

In approving the Trustees' Annual Report, we also approve the Strategic Report included therein, in our capacity as company directors.

On behalf of the board



.....
H Covington, Trustee

8 August 2023

.....
Date

Brussels Beijing Berlin London Warsaw Madrid Los Angeles Luxembourg

ClientEarth is an environmental law charity, a company limited by guarantee, registered in England and Wales, company number 02863827, registered charity number 1053988, registered office 10 Queen Street Place, London EC4R 1BE, a registered international non-profit organisation in Belgium, ClientEarth AISBL, enterprise number 0714.925.038, a registered company in Germany, ClientEarth gmbH, HRB 202487 B, a registered non-profit organisation in Luxembourg, ClientEarth ASBL, registered number F11366, a registered foundation in Poland, Fundacja ClientEarth Poland, KRS 0000364218, NIP 701025 4208, a registered 501(c)(3) organisation in the US, ClientEarth US, EIN 81-0722756, a registered subsidiary in China, ClientEarth Beijing Representative Office, Registration No. G1110000MA0095H836. ClientEarth is registered on the EU Transparency register number: 96645517357-19. Our goal is to use the power of the law to develop legal strategies and tools to address environmental issues.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF CLIENTEARTH

Opinion

We have audited the financial statements of ClientEarth ('the charitable company') and its subsidiaries ('the group') for the year ended 31 December 2022 which comprise the Consolidated statement of financial activities, the Consolidated statement of financial position, Company statement of financial position, Consolidated statement of cash flows and notes to the financial statements, including 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 the charitable company's affairs as at 31 December 2022 and of the group's 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.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEES OF CLIENTEARTH

- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

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

- adequate and proper accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company and the group for fraud. The laws and regulations we considered in this context for the UK operations were employment legislation, taxation legislation and anti-fraud, bribery

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEES OF CLIENTEARTH

and corruption legislation. We also considered compliance with local legislation for the group's overseas operating segments.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of grant income, contract income and significant, one-off donation income, the completeness and valuation of provisions and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Finance, Risk and Audit Committee about their own identification and assessment of the risks of irregularities, sample testing of funding received in the year and post year end to underlying documents, sample testing of year end balances for accrued and deferred income, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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



Tim Redwood
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
Date: 10th August 2023

CLIENTEARTH

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Unrestricted funds General 2022 £	Unrestricted funds Designated 2022 £	Restricted funds 2022 £	Endowment funds 2022 £	Total 2022 £	Total 2021 £
<u>Income and endowments from:</u>							
Donations and legacies	3	6,874,324	-	2,076,638	118,660	9,069,622	6,041,684
Charitable activities	4	9,345	-	20,480,907	-	20,490,252	18,918,468
Other trading activities	5	1,036,500	-	-	-	1,036,500	3,065,981
Investments	6	233,817	-	-	-	233,817	191,209
Other income	7	28,273	-	86,151	-	114,424	103,226
Total income and endowments		8,182,259	-	22,643,696	118,660	30,944,615	28,320,568
<u>Expenditure on:</u>							
Raising funds		2,083,172	102,880	605,721	-	2,791,773	1,982,391
Charitable activities	9	2,310,570	1,051,735	21,972,486	-	25,334,791	19,653,118
Expenditure		4,393,742	1,154,615	22,578,207	-	28,126,564	21,635,509
Net gains/(losses) on investments		(144,515)	-	-	-	(144,515)	640,405
Net income before transfers		3,644,002	(1,154,615)	65,489	118,660	2,673,536	7,325,464
Gross transfers between funds		(1,030,000)	1,030,000	-	-	-	-
Net movement in funds		2,614,002	(124,615)	65,489	118,660	2,673,536	7,325,464
Fund balances at 1 January 2022		7,332,892	12,827,289	13,210,008	-	33,370,189	26,044,725
Fund balances at 31 December 2022		9,946,894	12,702,674	13,275,497	118,660	36,043,725	33,370,189

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 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	13		26,396		48,385
Tangible assets	14		789,885		913,508
Investments	15		14,017,332		13,538,543
			<u>14,833,613</u>		<u>14,500,436</u>
Current assets					
Debtors	16	2,916,194		7,329,033	
Investment cash		2,994,782		657,031	
Cash at bank and in hand		20,275,721		14,529,399	
		<u>26,186,697</u>		<u>22,515,463</u>	
Creditors: amounts falling due within one year	17	(3,533,585)		(2,202,710)	
Net current assets			22,653,112		20,312,753
Total assets less current liabilities			37,486,725		34,813,189
Provisions for liabilities	18		(1,443,000)		(1,443,000)
Net assets			<u>36,043,725</u>		<u>33,370,189</u>
Capital funds					
Endowment funds	22		118,660		-
Income funds					
Restricted funds	20		13,275,497		13,210,008
Unrestricted funds - Designated	21		12,702,674		12,827,289
Unrestricted funds - General			9,946,894		7,332,892
			<u>36,043,725</u>		<u>33,370,189</u>

The financial statements were approved and authorised for issue by the Board on 8 August 2023



.....
H Covington (Chair)
Trustee

Company Registration No. 2863827

CLIENTEARTH

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	13		26,396		48,385
Tangible assets	14		716,465		842,276
Investments	15		14,017,333		13,538,543
			<u>14,760,194</u>		<u>14,429,204</u>
Current assets					
Debtors	16	2,619,387		7,007,211	
Investment cash		2,994,782		657,031	
Cash at bank and in hand		17,670,710		13,626,828	
		<u>23,284,879</u>		<u>21,291,070</u>	
Creditors: amounts falling due within one year	17	<u>(2,228,775)</u>		<u>(1,818,515)</u>	
Net current assets			21,056,104		19,472,555
Total assets less current liabilities			35,816,298		33,901,759
Provisions for liabilities	18		<u>(1,443,000)</u>		<u>(1,443,000)</u>
Net assets			<u>34,373,298</u>		<u>32,458,759</u>
Capital funds					
Endowment funds	22		118,660		-
Income funds					
Restricted funds			12,457,746		12,640,257
Unrestricted funds - Designated	21		12,702,675		12,827,289
Unrestricted funds - General			9,094,217		6,991,213
			<u>34,373,298</u>		<u>32,458,759</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.

The total income for the charity for the period ended 31 December 2022 were £30,130,949 (2021: £27,720,382) with the positive movements in funds being £1,914,539 (2021: £7,364,964).

The financial statements were approved and authorised for issue by the Board on 8 August 2023

H Covington (Chair)
Trustee

Company Registration No. 2863827

CLIENTEARTH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	28		8,905,804		5,703,362
Investing activities					
Purchase of tangible fixed assets		(109,930)		(825,475)	
Proceeds from disposal of tangible fixed assets		-		1,941	
Purchase of investments		(3,298,990)		(3,192,753)	
Proceeds from disposal of investments		2,353,372		3,050,963	
Investment income received		233,817		191,209	
Net cash used in investing activities			(821,731)		(774,115)
Net cash used in financing activities			-		-
Net increase in cash and cash equivalents			8,084,073		4,929,247
Cash and cash equivalents at beginning of year			15,186,430		10,257,183
Cash and cash equivalents at end of year			23,270,503		15,186,430

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 Joinery, 34 Drayton Park, London, N5 1PB.

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)" (published October 2019). 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.

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.

The trustees have reviewed the following to assess the going concern position of the charity:

- Comparison of free reserves (unrestricted funds) against the charity's reserves policy
- Restricted and Designated fund balances against budgeted future programme activities
- Information from budgets and forecasts for income, expenditure and cash flows
- The Board approved a 5 year financial plan that accompanies the new Strategic Framework. This focuses on continued financial resilience through investing to grow unrestricted income further, to improve the future funding mix; targeting growth in programme costs towards strategic priorities; and seeking efficiencies across key processes.

Based on this review, the trustees have reasonable expectation that the charity has adequate resources to continue in operation for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its 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.

Designated funds comprise unrestricted funds which have been voluntarily set aside at the discretion of the trustees for specific purposes. The purposes and uses of the designated funds are set out in the notes to the financial statements.

Restricted funds are subject to specific conditions by donors as to how they may be used. Restricted funds are classified in the notes to the accounts under the purpose for which they will be used.

Endowment funds are expendable endowment funds which are invested through our investment partner, and income generated is used to further charitable activities. The funds are invested through our investment partner, and income generated is used to further charitable activities.

1.4 Income

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

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

The charity is partially exempt for Value Added Tax and only charges VAT on income deemed business activities.

Grants received with both a restricted and unrestricted purpose are allocated on receipt directly into the correct fund.

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Expenditure is recognised in the period in which they are incurred.

Expenditure is 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:

Raising funds	13%
Rule of Law	13%
Climate	16%
Energy Transition	19%
Pollution & health	11%
Forests	12%
Oceans	8%
Wildlife	8%

2021 Comparatives

Raising funds	12%
Rule of Law	10%
Climate	16%
Energy Transition	21%
Pollution & health	12%
Forests	12%
Oceans	8%
Wildlife	9%

The charity is partially exempt for Value added tax and only claims VAT on expenditure relating to business 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 2022

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.

Assets above the value of £1,000 are capitalised. 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 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.

1.9 Financial instruments

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

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

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

Basic financial assets

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

Basic financial liabilities

Basic financial liabilities, including creditors 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.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.10 Provisions

Provisions are recognised when the charity has a legal or constructive present obligation as a result of a past event, it is probable that the charity will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which that entitlement is earned.

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

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

1.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to net income/(expenditure) for the year so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

1.13 Foreign exchange

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

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All gains / losses are recorded in income or expenditure as appropriate.

1.14 Basis of Consolidation

The consolidated financial statements incorporate those of ClientEarth and all of its subsidiaries (ie entities that the group controls through its power to govern and obtain benefits). Their results are consolidated on a line by line basis from the date that control passes.

All financial statements are made up to 31 December 2022. 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.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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

Judgement is required in applying the charity's policy on income recognition below and in estimating VAT provisions:

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. Income from contracts are recognised in line with the expenditure against that contract as this is deemed the most accurate proxy for the performance conditions being met. Where such income is received in advance of delivering the goods or services required, the income is not recognised. Instead it is recognised as a liability (deferred income) until performance can be measured (based on spend).

VAT provisions

VAT provisions are estimated by undertaking an extensive analysis of all financial transactions from the effective date to the date of registration. All VAT rules according to the past and present legal obligation have been applied to get to a maximum figure for the provision. Any interest and penalties that may be due have also been considered when calculating the provision. A prudent approach has been adopted by assuming the maximum penalty could be applied. The charity is currently working with HMRC to establish the liability and as such the final settlement may differ from the provision.

3 Donations and legacies

	Unrestricted funds	Restricted funds	Endowment funds	Total
	2022 £	2022 £	2022 £	2022 £
Donations and gifts	6,874,324	2,076,638	118,660	9,069,622
For the year ended 31 December 2022	6,874,324	2,076,638	118,660	9,069,622
	2021 £	2021 £	2021 £	2021 £
Donations and gifts	4,417,024	1,624,660	-	6,041,684
For the year ended 31 December 2021	4,417,024	1,624,660	-	6,041,684

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

4 Income from Charitable Activities

	Unrestricted funds 2022 £	Restricted funds 2022 £	Total funds 2022 £	Unrestricted funds 2021 £	Restricted funds 2021 £	Total funds 2021 £
Analysis by fund						
Rule of law	854	3,550,262	3,551,116	-	3,832,489	3,832,489
Climate and the Paris agreement	3,633	4,440,284	4,443,917	23,041	4,838,159	4,861,200
Energy transition	690	4,628,316	4,629,006	-	4,315,471	4,315,471
Pollution & health	3,752	2,230,944	2,234,696	1,375	1,655,352	1,656,727
Forests	-	3,140,323	3,140,323	-	2,599,058	2,599,058
Oceans protection	-	1,304,153	1,304,153	-	936,052	936,052
Wildlife protection	416	1,186,625	1,187,041	-	717,471	717,471
	9,345	20,480,907	20,490,252	24,416	18,894,052	18,918,468

5 Other trading activities

	Unrestricted funds 2022 £	Unrestricted funds 2021 £
Trading activity income: Sale of goods	6,500	-
Trading activity income: Sale of donated goods	1,030,000	3,065,981
Other trading activities	1,036,500	3,065,981

Sale of goods

Income from the sale of photography prints through ClientEarth Trading.

Sale of donated goods

During the reporting period ClientEarth raised unrestricted income from a series of auctions held by Artists for ClientEarth.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

6 Investments

	Unrestricted funds	Unrestricted funds
	2022	2021
	£	£
Income from listed investments	223,250	182,069
Interest receivable	10,567	9,140
	<u>233,817</u>	<u>191,209</u>

7 Other income

	Unrestricted funds	Restricted funds	Total	Unrestricted funds	Restricted funds	Total
	2022	2022	2022	2021	2021	2021
	£	£	£	£	£	£
Rental income	5,043	-	5,043	5,746	-	5,746
Litigation awards	-	52,459	52,459	152	31,206	31,358
Memberships	-	33,692	33,692	-	58,475	58,475
Other income	23,230	-	23,230	7,647	-	7,647
	<u>28,273</u>	<u>86,151</u>	<u>114,424</u>	<u>13,545</u>	<u>89,681</u>	<u>103,226</u>

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

8 Top Donors

Included within income are the following top ten donors:

	2022 £	2021 £
Children's Investment Fund Foundation (CIFF)	7,698,624	4,310,072
Bloomberg Philanthropies	1,638,317	1,424,427
Postcode Earth Trust	1,500,000	1,000,000
The Norwegian Agency for Development Cooperation (NORAD) - Norway's International Climate and Forest Initiative (NICFI)	1,014,529	997,323
AKO Foundation	1,750,000	-
Sequoia Climate Foundation	921,783	1,227,750
The Tilia Fund	820,518	-
European Climate Foundation (ECF)	639,559	896,825
UK Foreign, Commonwealth and Development Office (FCDO) - Forest Governance, Markets and Climate Programme (FGMC)	691,419	804,872
Arcadia	594,950	
Grantham Foundation and Trust	-	3,092,740
Rockefeller Philanthropy Advisors	-	570,320
John D. & Catherine T. MacArthur Foundation	-	539,596
Other donors	12,290,175	10,096,227
	<u>29,559,874</u>	<u>24,960,152</u>

Income from Grantham Foundation is represented by donations from Grantham Foundation for the Protection of the Environment and Jeremy and Hannelore Grantham Environmental Trust.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Charitable activities:

	Charitable activities without support and governance costs	Allocation of support costs	Allocation of governance costs	Total charitable activities
	2022	2022	2022	2022
	£	£	£	£
Raising Funds	2,406,945	384,828	-	2,791,773
Rule of Law	3,988,614	384,828	39,156	4,412,598
Climate	4,927,472	473,635	49,598	5,450,705
Energy Transition	4,567,793	562,442	57,429	5,187,664
Pollution & Health	2,254,239	325,624	31,325	2,611,188
Forests	3,438,289	355,226	36,546	3,830,061
Oceans	1,858,345	236,817	23,494	2,118,656
Wildlife	1,463,608	236,817	23,494	1,723,919
	24,905,305	2,960,217	261,042	28,126,564
	2021	2021	2021	2021
	£	£	£	£
Raising Funds	1,766,057	216,334	-	1,982,391
Rule of Law	2,487,942	180,278	7,621	2,675,841
Climate	3,618,110	288,445	13,164	3,919,719
Energy Transition	4,611,462	378,584	16,628	5,006,674
Pollution & Health	2,215,735	216,334	9,700	2,441,769
Forests	2,275,922	216,334	9,007	2,501,263
Oceans	1,458,395	144,223	6,235	1,608,853
Wildlife	1,329,823	162,250	6,926	1,498,999
	19,763,446	1,802,782	69,281	21,635,509

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

10 Other expenditure

The results for the year are stated after charging:

	2022 £	2021 £
Depreciation	233,553	163,823
Amortisation	21,989	23,746
	<u> </u>	<u> </u>
Rent payable under operating leases		
Land and buildings	757,060	588,797
Equipment	12,462	6,285
	<u> </u>	<u> </u>
Fees payable to the charity's auditor and associates:		
Audit of the charity's annual accounts	40,320	33,600
	<u> </u>	<u> </u>
Non-audit services		
Other assurance services	2,520	-
	<u> </u>	<u> </u>

11 Trustees

None of the trustees (or any persons connected with them) received any remuneration during the year. During the year £nil (2021: £nil) of expenses were reimbursed to trustees.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

12 Employees

Number of employees

The average monthly number employees during the year was 263 (2021: 229)

The average FTE employees employed during the year was:

	2022	2021
	Number	Number
Raising Funds	34	28
<i>Charitable Activities</i>		
Rule of Law	28	18
Climate	36	31
Energy	40	40
Health	23	24
Forests	26	22
Oceans	17	15
Wildlife	18	17
Support	37	28
Governance	1	-
	<u>260</u>	<u>223</u>

Employment costs

	2022	2021
	£	£
Wages and salaries	13,560,126	10,748,767
Social security costs	834,859	650,853
Other pension costs	434,570	318,738
Other employment related costs and temps	993,203	461,107
Holiday pay accrual	147,460	281,461
	<u>15,970,218</u>	<u>12,460,926</u>

During the year termination or redundancy payments of £29,590 (2021: £nil) were recognised in accordance with the charity's accounting policy.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

12 Employees

(Continued)

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

	2022 Number	2021 Number (restated)
£ 60,000 - £ 70,000	22	10
£ 70,001 - £ 80,000	10	5
£ 80,001 - £ 90,000	5	7
£ 90,001 - £100,000	1	1
£100,001 - £110,000	1	-
£110,001 - £120,000	3	1
£120,001 - £130,000	1	2
£140,001 - £150,000	1	-
£200,001 - £210,000	1	-
£260,001 - £270,000	-	1
	<u> </u>	<u> </u>

The comparative figures have been amended to reflect the secondment of the CEO to ClientEarth US which was funded by ClientEarth UK.

Pension contributions for employees whose annual remuneration was £60,000 or more amounted to £144,612 (2021: £79,218)

Remuneration of key management personnel

The key management personnel of ClientEarth is comprised of the Executive Team: CEO, Deputy CEO, CFO, and the newly created roles of Chief External Affairs Officer and Chief Programmes & Impact Officer (2021: CEO, Deputy CEO and CFO). In September 2022, our new CEO took up her post, and our founding CEO stepped down and transitioned into a new Founder and President role. This new role is not part of the Executive Team, so is not included in key management personnel. The remuneration of key management personnel is as follows.

	2022 £	2021 £ (restated)
Salary	590,108	455,608
Employers national insurance	77,753	59,320
Pension contributions	31,129	16,792
	<u> </u>	<u> </u>
	<u>698,990</u>	<u>531,720</u>

The comparative figures have been amended to reflect the secondment of the CEO to ClientEarth US which was funded by ClientEarth UK.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

13 Intangible fixed assets

	Software £
Cost	
At 1 January 2022 and 31 December 2022	118,738
Amortisation and impairment	
At 1 January 2022	70,353
Amortisation charged for the year	21,989
At 31 December 2022	92,342
Carrying amount	
At 31 December 2022	26,396
At 31 December 2021	48,385

14 Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings & equipment £	Computers £	Total £
Cost				
At 1 January 2022	764,679	101,284	406,882	1,272,845
Additions	74,509	32,861	2,560	109,930
At 31 December 2022	839,188	134,145	409,442	1,382,775
Depreciation and impairment				
At 1 January 2022	68,100	49,764	241,473	359,337
Depreciation charged in the year	155,910	19,505	58,138	233,553
At 31 December 2022	224,010	69,269	299,611	592,890
Carrying amount				
At 31 December 2022	615,178	64,876	109,831	789,885
At 31 December 2021	696,579	51,520	165,409	913,508

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

15 Fixed asset investments

	Listed investments £
Valuation	
At 1 January 2022	13,538,543
Additions at cost	3,298,990
Unrealised gains/(losses) on investments	(256,089)
Disposals at opening market value	(2,564,112)
	<hr/>
At 31 December 2022	14,017,332
	<hr/>
Carrying amount	
At 31 December 2021	<hr/> <hr/> 13,538,543 <hr/> <hr/>

16 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
GROUP		
Other debtors	300,629	341,262
Prepayments and accrued income	2,615,565	6,987,771
	<hr/>	<hr/>
	2,916,194	7,329,033
	<hr/> <hr/>	<hr/> <hr/>
PARENT CHARITY		
Other debtors	253,744	245,012
Prepayments and accrued income	2,365,643	6,762,199
	<hr/>	<hr/>
	2,619,387	7,007,211
	<hr/> <hr/>	<hr/> <hr/>

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

17 Other creditors falling due within one year

	2022	2021
	£	£
GROUP		
Trade creditors	1,053,565	658,415
Other creditors	430,047	226,197
Accruals and deferred income	1,452,123	764,205
Other taxation and social security	597,850	553,893
	<u>3,533,585</u>	<u>2,202,710</u>
PARENT CHARITY		
Trade creditors	822,968	578,127
Other creditors	529,973	569,392
Accruals and deferred income	632,478	365,196
Other taxation & social security	243,356	305,800
	<u>2,228,775</u>	<u>1,818,515</u>

18 Provisions

	2022	2021
	£	£
VAT provisions	1,443,000	1,443,000

ClientEarth registered for UK VAT on 16 September 2021. As the charity should have registered sooner due to the impact of reverse charges a VAT liability provision was added to 2021 accounts. The charity is currently working with HMRC to establish final liability.

19 Retirement benefit schemes

ClientEarth operates defined contribution pension schemes for staff in the UK and Belgium. These schemes match employee contributions up to a maximum of 5% of pensionable salary and staff are automatically enrolled into the relevant scheme in line with government legislation. No employees receive benefits under a defined benefit pension scheme. 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 £431,037 (2021: £318,738).

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Restricted funds

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

Group	Movement in funds			
	Balance at 1/1/2022	Income	Expenditure	Balance at 31/12/22
	£	£	£	£
Rule of Law	3,049,988	2,769,602	(3,187,675)	2,631,915
Children's Investment Fund Foundation	-	50,000	(50,000)	-
Grantham Foundation for the Protection of the Environment	869,346	(3,500)	(119,232)	746,614
Jeremy and Hannelore Grantham Environmental Trust	750,114	-	(559,726)	190,388
Bloomberg Philanthropies	84,368	321,072	(263,412)	142,028
John D. & Catherine T. MacArthur Foundation	363,895	438,424	(662,776)	139,543
Postcode Earth Trust	-	54,878	(54,878)	-
European Union via Gesellschaft für Organisation, Planung und Ausbildung mbH (GOPA)	-	179,730	(185,285)	(5,555)
Department for Business, Energy and Industrial Strategy	(164,267)	164,776	(509)	-
Sequoia Climate Foundation	665,164	916,213	(592,021)	989,356
The William and Flora Hewlett Foundation	185,081	207,983	(208,939)	184,125
The Waterloo Foundation	40,000	40,000	(40,000)	40,000
Esmée Fairbairn Foundation	39,009	250,000	(270,523)	18,486
Other restricted funds	217,278	150,026	(180,374)	186,930
Climate and the Paris agreement	3,342,698	3,750,115	(4,273,426)	2,819,387
Children's Investment Fund Foundation	1,292,339	2,595,587	(2,636,862)	1,251,064
Grantham Foundation for the Protection of the Environment	1,027,921	(3,500)	(277,807)	746,614
Jeremy and Hannelore Grantham Environmental Trust	750,114	-	(228,280)	521,834
Postcode Earth Trust	-	450,000	(395,808)	54,192
Other restricted funds	272,324	708,028	(734,669)	245,683
Energy Transition	1,808,109	4,051,711	(4,160,561)	1,699,259
Children's Investment Fund Foundation	34	1,060,745	(1,060,745)	34
Bloomberg Philanthropies	986,704	1,202,468	(1,261,726)	927,446
European Climate Foundation	23,070	466,112	(507,981)	(18,799)
Sequoia Climate Foundation	609,644	5,569	(615,213)	-
Postcode Earth Trust	-	225,000	(225,000)	-
The Tilia Fund	-	415,870	(210,608)	205,262
Other restricted funds	188,657	675,947	(279,288)	585,316
Pollution and Health	439,340	1,892,123	(1,860,025)	471,438
Children's Investment Fund Foundation	3,457	547,334	(547,334)	3,457
Bloomberg Philanthropies	78,869	114,777	(147,942)	45,704
European Climate Foundation	193,026	173,447	(363,435)	3,038
Postcode Earth Trust	-	399,000	(275,091)	123,909
Other restricted funds	163,988	657,565	(526,223)	295,330
Sub total	8,640,135	12,463,551	(13,481,687)	7,621,999

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

20 Restricted funds

(Continued)

	Balance at 1/1/2022	Income	Expenditure	Balance at 31/12/2022
	£	£	£	£
Brought forward from previous page	8,640,135	12,463,551	(13,481,687)	7,621,999
Forests	1,331,617	3,461,366	(3,053,046)	1,739,937
The Norwegian Agency for Development Cooperation (Norad) - Norway's International Climate and Forest Initiative (NICFI)	627,035	1,014,529	(985,281)	656,283
UK Foreign, Commonwealth and Development Office (FCDO) - Forest Governance, Markets and Climate Programme (FGMC)	231,273	691,419	(922,692)	-
Palladium – The UK Foreign, Commonwealth and Development Office's (FCDO's) Multi-stakeholder Forest Governance and Accountability Project (MFGAP)	(143)	91,908	(91,765)	-
EU Directorate-General for Migration and Home Affairs	103,216	(1,924)	1,924	103,216
Postcode Earth Trust	-	490,722	(246,162)	244,560
The Tilia Fund	-	404,648	(117,379)	287,269
Other restricted funds	370,236	770,064	(691,691)	448,609
Oceans	294,963	1,607,382	(1,550,712)	351,633
Children's Investment Fund Foundation	(7,969)	128,000	(119,192)	839
Rockefeller Philanthropy Advisors	89,324	451,711	(479,725)	61,310
Postcode Earth Trust	-	130,006	(130,006)	-
Other restricted funds	213,608	897,665	(821,789)	289,484
Wildlife	692,390	1,403,547	(1,430,499)	665,438
Grantham Foundation for the Protection of the Environment	63,261	230,489	(305,207)	(11,457)
Arcadia	396,149	594,950	(498,627)	492,472
Postcode Earth Trust	-	132,688	(132,688)	-
Other restricted funds	232,980	445,420	(493,977)	184,423
International Trade	-	177,686	(158,589)	19,097
Children's Investment Fund Foundation	-	20,000	(903)	19,097
Postcode Earth Trust	-	66,974	(66,974)	-
Other restricted funds	-	90,712	(90,712)	-
Strategic Climate Litigation (redistributed across Climate, Energy and Pollution and Health)	1,627,692	2,273,647	(1,866,750)	2,034,589
Children's Investment Fund Foundation	300,709	3,152,757	(1,932,538)	1,520,928
Postcode Earth Trust	1,000,000	(931,569)	(1,371)	67,060
Other restricted funds	326,983	52,459	67,159	446,601
Restricted core grants (redistributed across all charitable activities above)	623,211	1,256,515	(1,036,924)	842,802
Children's Investment Fund Foundation	83,364	144,201	(212,566)	14,999
Postcode Earth Trust	-	482,300	(435,316)	46,984
Other restricted funds	539,847	630,014	(389,042)	780,819
Total	13,210,008	22,643,694	(22,578,207)	13,275,495

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 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	Movement in funds				
	Balance at 1/1/2021	Income	Expenditure	Reclassification	Balance at 31/12/21
	£	£	£	£	£
Rule of Law	1,719,777	3,793,322	(2,428,280)	(34,831)	3,049,988
Children's Investment Fund Foundation	270,249	(75,182)	(195,067)	-	-
Grantham Foundation for the Protection of the Environment	750,227	706,701	(587,582)	-	869,346
Jeremy and Hannelore Grantham Environmental Trust via ClientEarth USA Inc	-	750,114	-	-	750,114
Bloomberg Philanthropies	-	151,863	(67,495)	-	84,368
Rockefeller Philanthropy Advisors	-	145,436	(145,436)	-	-
John D. & Catherine T. MacArthur Foundation	14,681	539,596	(190,382)	-	363,895
European Union via Gesellschaft für Organisation, Planung und Ausbildung mbH (GOPA)	2,038	128,211	(130,249)	-	-
Department for Business, Energy and Industrial Strategy	-	121,803	(286,070)	-	(164,267)
UN Sustainable Development Solutions Network Association	(8,982)	24,595	(15,613)	-	-
Sequoia Climate Foundation	-	665,164	-	-	665,164
The William and Flora Hewlett Foundation	-	185,081	-	-	185,081
The Waterloo Foundation	25,255	40,000	(25,255)	-	40,000
Esmée Fairbairn Foundation	-	300,000	(260,991)	-	39,009
Other restricted funds	666,309	109,940	(524,140)	(34,831)	217,278
Climate and the Paris agreement	1,017,828	4,094,557	(2,171,864)	402,177	3,342,698
Children's Investment Fund Foundation	203,649	2,183,974	(1,497,461)	402,177	1,292,339
Grantham Foundation for the Protection of the Environment	750,227	706,701	(429,007)	-	1,027,921
Jeremy and Hannelore Grantham Environmental Trust via ClientEarth USA Inc	-	750,114	-	-	750,114
Other restricted funds	63,952	453,768	(245,396)	-	272,324
Energy Transition	1,082,626	2,959,501	(2,234,018)	-	1,808,109
Children's Investment Fund Foundation	216,365	409,425	(625,756)	-	34
Bloomberg Philanthropies	(21,935)	1,066,131	(57,492)	-	986,704
European Climate Foundation	73,022	505,258	(555,210)	-	23,070
Sequoia Climate Foundation	579,482	562,586	(532,424)	-	609,644
European Union Horizon 2020	(8,307)	24,609	(16,302)	-	-
Other restricted funds	243,999	391,492	(446,834)	-	188,657
Pollution and Health	245,636	1,014,362	(820,658)	-	439,340
Children's Investment Fund Foundation	103,066	56,423	(156,032)	-	3,457
Bloomberg Philanthropies	-	78,869	-	-	78,869
European Climate Foundation	-	391,567	(198,541)	-	193,026
Other restricted funds	142,570	487,503	(466,085)	-	163,988
Sub total	4,065,867	11,861,742	(7,654,820)	367,346	8,640,135

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Restricted funds (comparative figures)	(Continued)				
	Balance at 1/1/2021	Income	Expenditure	Reclassification	Balance at 31/12/2021
	£	£	£	£	£
Brought forward from previous page	4,065,867	11,861,742	(7,654,820)	367,346	8,640,135
Forests	448,271	2,870,262	(1,986,916)	-	1,331,617
The Norwegian Agency for Development Cooperation (Norad) - Norway's International Climate and Forest Initiative (NICFI)	-	997,323	(370,288)	-	627,035
UK Foreign, Commonwealth and Development Office (FCDO) - Forest Governance, Markets and Climate Programme (FGMC)	-	804,872	(573,599)	-	231,273
Palladium – The UK Foreign, Commonwealth and Development Office's (FCDO's) Multi-stakeholder Forest Governance and Accountability Project (MFGAP)	235,460	70,190	(305,793)	-	(143)
EU Directorate-General for Migration and Home Affairs	6,460	4,980	(11,440)	-	-
European Forest Institute	-	28,043	(28,043)	-	-
Food and Agriculture Organization	-	50,000	(50,000)	-	-
European Forest Institute	2,449	6,463	(8,912)	-	-
Other restricted funds	203,902	908,391	(638,841)	-	473,452
Oceans	250,842	1,255,931	(1,211,810)	-	294,963
Children's Investment Fund Foundation	-	-	(7,969)	-	(7,969)
Rockefeller Philanthropy Advisors	-	424,885	(335,561)	-	89,324
Other restricted funds	250,842	831,046	(868,280)	-	213,608
Wildlife	622,111	1,229,892	(1,159,613)	-	692,390
Grantham Foundation for the Protection of the Environment	63,753	179,109	(179,601)	-	63,261
Arcadia	358,337	450,303	(412,491)	-	396,149
Other restricted funds	200,021	600,480	(567,521)	-	232,980
Strategic Climate Litigation (redistributed across Climate, Energy and Pollution and Health)	2,317,917	2,775,799	(3,098,678)	(367,346)	1,627,692
Children's Investment Fund Foundation	2,076,307	1,567,029	(2,940,450)	(402,177)	300,709
Bloomberg Philanthropies	14,235	127,564	(141,799)	-	-
Postcode Earth Trust	-	1,000,000	-	-	1,000,000
Other restricted funds	227,375	81,206	(16,429)	34,831	326,983
Restricted core grants (redistributed across all charitable activities above)	438,768	614,767	(430,324)	-	623,211
Children's Investment Fund Foundation	-	168,403	(85,039)	-	83,364
European Climate, Infrastructure & Environment Executive Agency (CINEA)	5,127	187,677	(192,804)	-	-
Other restricted funds	433,641	258,687	(152,481)	-	539,847
Total	8,143,776	20,608,393	(15,542,161)	-	13,210,008

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

21 Designated funds

Gilmour-Samson gift

During the year, the previously designated funds were spent on initiatives to support work tackling the most pressing environmental challenges including supporting the transition to clean and sustainable energy systems in Europe and Asia, strengthening laws which protect marine ecosystems, forests and organisational strengthening. The intention is to use the remaining funds over the period to December 2026 for similar purposes.

Lottery income

The final balance on this fund was set aside for an iconic case that has now been launched in 2023.

Artists for ClientEarth

At the end of the 2021 reporting period, trustees voluntarily designated unrestricted income raised from the auctions held by Artists for ClientEarth to be spent in the next five years. These funds will support strengthening of public awareness of ClientEarth's work, income generation, delivery of a new strategy including changes to structure and programmes, and in programmes overall, and will be spent over the next 5 years. In 2022 a further £1,030,000 of unrestricted income from the auctions of donated artwork was voluntarily designated for charitable activities to fight climate change.

	Balance at 1 January 2022	Expenditure	Transfers	Balance at 31 December 2022
	£	£	£	£
Gilmour-Samson gift - targeted projects	9,261,308	(1,154,615)	-	8,106,693
Artists for ClientEarth - targeted projects	3,065,981	-	1,030,000	4,095,981
Lottery income - targeted projects	500,000	-	-	500,000
	<u>12,827,289</u>	<u>(1,154,615)</u>	<u>1,030,000</u>	<u>12,702,674</u>

	Balance at 1 January 2021	Expenditure	Transfers	Balance at 31 December 2021
	£	£	£	£
Gilmour-Samson gift - targeted projects	11,504,741	(923,349)	(1,320,084)	9,261,308
Artists for ClientEarth - targeted projects	-	-	3,065,981	3,065,981
Lottery income - targeted projects	2,023,742	(1,523,742)	-	500,000
	<u>13,528,483</u>	<u>(2,447,091)</u>	<u>1,745,897</u>	<u>12,827,289</u>

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

22 Endowment funds

Balance at 31 December 2021	Income	Expenditure	Balance at 31 December 2022
£	£	£	£
-	118,660	-	118,660

During 2022 ClientEarth received its first endowment gift, enabling the Board to create an expendable endowment fund to which future gifts may be added. The funds are invested through our investment partner, and income generated is used to further charitable activities.

23 Analysis of net assets between funds

	Unrestricted funds General 2022 £	Unrestricted funds Designated 2022 £	Restricted funds 2022 £	Endowment funds 2022 £	Total 2022 £	Total 2021 £
Fund balances at 31 December 2022 are represented by:						
Intangible fixed assets	26,396	-	-	-	26,396	48,385
Tangible assets	789,885	-	-	-	789,885	913,508
Investments	5,910,639	8,106,693	-	-	14,017,332	13,538,543
Current assets/(liabilities)	4,662,974	4,595,981	13,275,497	118,660	22,653,112	20,312,753
Provisions	(1,443,000)	-	-	-	(1,443,000)	(1,443,000)
	9,946,894	12,702,674	13,275,497	118,660	36,043,725	33,370,189
Fund balances at 31 December 2021 are represented by:						
Intangible fixed assets	48,385	-	-	-	48,385	
Tangible assets	913,508	-	-	-	913,508	
Investments	2,142,559	11,395,984	-	-	13,538,543	
Current assets/(liabilities)	5,671,440	1,431,305	13,210,008	-	20,312,753	
Provisions	(1,443,000)	-	-	-	(1,443,000)	
	7,332,892	12,827,289	13,210,008	-	33,370,189	

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

24 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:

	2022 £	2021 £
Within one year	764,589	438,819
Between two and five years	2,360,913	2,101,083
	<u>3,125,502</u>	<u>2,539,902</u>

25 Related party transactions

During the year the charity received the following grants from organisations connected to trustees:

Organisation	Related Trustee	2022 £	2021 £
Children's Investment Fund Foundation (CIFF)	Sonia Medina	6,366,814	4,310,072
The Aurora Trust	Sarah Butler-Sloss	-	120,834
Coldplay	Brian Eno	250,000	250,000
Prospect Hill Foundation	Frances Beinecke	16,635	-
EarthPercent	Bian Eno	15,000	-
The McIntosh Foundation	Winsome Dunn McIntosh	118,660	7,165
The Aurora Trust, the JJ Charitable Trust and the Mark Leonard Trust	Sarah Butler-Sloss	120,834	-
The Savitri Waney Charitable Trust	Devika Waney	50,389	-
		<u>6,938,332</u>	<u>4,688,071</u>

During the year the charity received donations totalling £36,700 (2021: £184,246) from trustees. There were no conditions attached to these which would, or might, require the charity to alter significantly the nature of its existing activities.

During the year the charity made a donation of €nil (2021: €20,000) to ClientEarth – ANWÄLTE DER ERDE. Members of ClientEarth – ANWÄLTE DER ERDE include trustees and members of the executive team of the charity.

During the year sub-grants of \$472,433 (2021: \$125,000) were given to ClientEarth USA Inc. During the year the charity also received income of £2,048,436 (2021: £2,212,993) from ClientEarth USA Inc., which represents direct grants or grants and donations from foundations and major donors via the US entity. Some trustees of the charity are also members of the board of ClientEarth USA Inc.

During the year travel costs of £1,062 (2021: £nil) were paid for the husband of the CEO in connection with an event and during 2021 an amount of \$10,000 was also paid for editing services.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

26 Associates

Details of the charity's associates at 31 December 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held
Climate Transition Expert Group Limited	England & Wales	Dormant	Ordinary	33

27 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 2022 are as follows:

Name of undertaking	Registered office	Nature of business	% Held
ClientEarth France	86, boulevard Raspail, 75006 Paris, France	Dormant	100.00
ClientEarth AISBL	1050 Bruxelles, Rue du Trone 60, Belgium	Charity	100.00
ClientEarth gGmbH	Objekt Albrechtstrasse 22, 10117 Berlin, Germany	Charity	100.00
Fundacja ClientEarth Prawnicy dla Ziemi (ClientEarth Poland)	Zurawia 45 (staircase B, 2nd floor), 00-680 Warsaw, Poland	Charity	100.00
ClientEarth ASBL	17 Route d'Arlon, L-8009 Strassen, Luxembourg	Charity	100.00
ClientEarth Trading Ltd	The Joinery, 34 Drayton Park, London, N5 1PB	Trading	100.00

ClientEarth Trading Ltd is exempt from audit under section 479A of the Companies Act 2006.

The results of the non dormant subsidiaries are as follows:

Name of undertaking	Company number	External Funding from income	External Funding from head office	Expenditure	Surplus/ Deficit	Reserves
ClientEarth AISBL	0714.925.038	363,054	5,584,650	(4,973,195)	974,509	1,013,609
ClientEarth gGmbH	HRB 202487 B	466,818	659,110	(1,378,077)	(252,149)	480,044
ClientEarth Poland	KRS 0000364218	3,160	1,561,903	(1,528,458)	36,605	146,399
ClientEarth ASBL	20176102110	60,353	-	(56,644)	3,709	34,051
ClientEarth Trading	13095280	6,500	-	(10,177)	(3,677)	(3,676)

Comparatives for 2021

Name of undertaking	Company number	External Funding from income	External Funding from head office	Expenditure	Surplus/ Deficit	Reserves
ClientEarth AISBL	0714.925.038	117,112	3,425,779	(3,870,504)	(327,613)	39,100
ClientEarth gGmbH	HRB 202487 B	472,382	451,435	(732,277)	191,540	732,192
ClientEarth Poland	KRS 0000364218	692	1,190,575	(1,140,115)	51,152	109,794

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

27 Subsidiaries							(Continued)
ClientEarth ASBL	20176102110	-	166,025	(120,606)	45,419	30,343	
ClientEarth Trading	13095280	-	-	-	-	-	
28 Cash generated from operations				2022	2021		
				£	£		
Surplus for the year				2,673,536	7,325,464		
Adjustments for:							
Investment income recognised in statement of financial activities				(233,817)	(191,209)		
Fair value gains and losses on investments				144,515	(640,405)		
Foreign exchange differences on investments				(1,360,657)	-		
Depreciation and impairment of tangible fixed assets				255,542	187,570		
Movements in working capital:							
Decrease/(increase) in debtors				4,412,839	(3,460,844)		
Increase in creditors				1,330,875	1,039,786		
(Decrease) in provisions				-	1,443,000		
Cash generated from operations				7,222,833	5,703,362		
