

Annual Report and Financial Statements

For the year ended 31 December 2021

Charity Registration no. 1053988

Company Registration no. 2863827 (England and Wales)

ClientEarth 

CLIENTEARTH

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	H Covington (Chair) G Stratenwerth (Treasurer) F Beinecke H Bruhn S Butler-Sloss B Eno S Hockman (Resigned 2 March 2022) P Joubert W McIntosh S Medina Gomez D Mokhtarzadeh A Razzouk Sir Martin Smith J Kaufelt (Appointed 2 December 2021) Dr E Ugirashebuja (Resigned 4 November 2021)
Charity number	1053988
Company number	2863827
Principal address	The Joinery 34 Drayton Park London N5 1PB
Registered office	10 Queen Street Place London EC4R 1BE
Auditor	Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW

CLIENTEARTH

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ClientEarth Trustees' Report (including Directors' and Strategic Report) For the year ended 31 December 2021

The trustees (who are also the directors of ClientEarth for the purposes of company law) present their report and accounts for the period ended 31 December 2021. 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 has grown quickly and managed successfully to scale-up its work of using the law to protect life on earth. It is now well along the path from being a small but impactful organisation to becoming one with global reach.

Last year, to address the challenges of both our increasing reach and our rapid growth, we started a number of projects to make sure we are as fit as possible to deliver increasing impact in the critical years ahead for our planet. We have been very busy delivering these alongside our growing programmatic work.

A new strategic framework was developed during 2021 and signed-off by the trustees in April 2022. This will take full effect from January 2023. It will help guide our work over the next five years and focus our minds on how to drive the systemic change that the law can deliver and which the planet so urgently needs. As part of that work, we updated our organisational values to ensure that we remain true to what we believe in and that we maintain a strong ClientEarth culture right across our organisation. We also began work on a new organisational design.

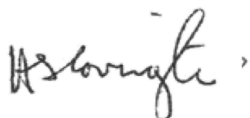
During the balance of this year, we will implement the strategic framework, the updated values and the new organisational design. These changes will put us in great shape to deliver against our mission in coming years.

Towards the end of last year, the trustees began the search for a new chief executive to take over executive responsibility from our founding chief executive, James Thornton, when he moves into the new position of President and Founder in the Autumn. We ran a thorough recruitment process, and received applications from a strong group of candidates. I am delighted with the outcome and expect to be able to announce our new chief executive within a few weeks.

Most of the work I have just described took place while covid restrictions were in place. Our teams were working remotely and sometimes in challenging personal circumstances. I want to thank our staff for the enormous effort they have made and the resilience they have shown in delivering their work in such difficult circumstances.

This is James Thornton's last year as ClientEarth's chief executive. James is a poet, a strategic thinker, a great lawyer, an entrepreneur and an inspiring leader. His contribution to creating ClientEarth, and to building it into an environmental legal powerhouse, cannot be overstated. In his new role as President and Founder, James will be liberated from the daily burdens of executive office and will be free to explore new ways of using the law for the benefit of the people and the planet. We look forward enormously to having James alongside us as ClientEarth continues its great progress.

Howard Covington, Chair



Entering a new phase – a note from CEO and Founder, James Thornton

This is a key year for ClientEarth and its journey. We prepare for our future by making carefully considered transformations to our structure. Our Chair, Howard Covington has reflected on them above. As we mark our 15th anniversary, we will also take time to reflect on what we have achieved so far.

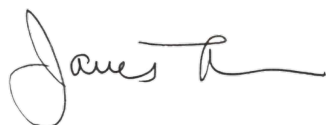
We have come a long way in those 15 years – back in 2007 I was the only employee, working from a laptop in a corner of my bedroom in North London. Today we have grown to an organisation of more than 260 people, with a staff from over 30 countries, and with offices in Europe, Asia and the Americas. More importantly, though, our work and the impact that we are having on our mission has grown enormously in that time. We have helped to transition Europe away from its reliance on coal and we are now working to do the same in Asia. We have played an important role in protecting critical habitats and wildlife. We have fought for the rights of citizens across Europe to be able to hold their institutions to account over environmental damage. We've helped to protect the health of people, from pollution and toxic chemicals. We have pioneered the use of corporate and finance law to address climate change.

We've been able to do this work, and much, much more, thanks to the enormous power of the law, the innovative way we use it at ClientEarth and the incredible people that we have within our organisation. As I reflect on the staff we have today, and those who came before them, I am immensely proud of the work that they have done and of the teams we have been able to build. Today, everywhere I look across our global organisation I see talented, passionate and incredibly smart people all working in concert to build a better future for our planet.

I am constantly aware that none of this would have been possible without the phenomenal support that we've had from our supporters and funders over the last 15 years. I want to say a heartfelt thank you to all of the donors, large and small, who have helped us to do our work over the last 15 years. And to all of our supporters during that time, who believed in what we were trying to do, when many others didn't, and who have given their time and their energy to the organisation. Thank you, one and all.

This year I will transition away from the day to day leadership of the organisation and into the role of Founder and President. As I do so, I know that the strong leadership team that we have built and the incredible talent that we have in every part of the organisation will continue to deliver work in the spirit that the organisation was founded 15 years ago. They will innovate, collaborate and create. They will be nimble, pragmatic and entrepreneurial. And they will always focus on our client: the Earth and all the life that lives upon her.

James Thornton, CEO



About ClientEarth

Our planet is changing. Rising carbon emissions are accelerating climate change. Our forests are disappearing. The air we breathe and the oceans we depend on are polluted. Vulnerable plants and animals are under threat.

To meet these global challenges, we draw on our unique expertise, using the power of the law to bring about systemic change – 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

Tackling climate change

The world is changing dramatically due to climate change. We're taking action to protect life on Earth for future generations.



The Paris Agreement: We work to ensure governments and companies establish ambitious climate laws, plans and policies that are in line with the Paris Agreement. We monitor these and existing laws, plans and policies to ensure they are enforced and when governments and companies fail to deliver on their environmental obligations, we bring legal challenges.

Leaving fossil fuels behind: We work with campaigners around the world, learning from their expertise and sharing ours. Together, we devise the best ways to use law to hold governments and businesses to account, from challenging pollution permits of coal plants to bringing cases before the UN.

Stopping the money that contributes to climate change: We want to see investors using their power as a force for good in the fight against climate change. That's why we're pioneering the use of corporate law and pushing companies and pension funds to report and manage climate risks.

Transforming the way we produce food: Sustainable agriculture is vital to climate, health and biodiversity protection. So we're working to transform the food system, protect our soils, tackle pollution from intensive agricultural practices and pave the way for more sustainable, regenerative agriculture.

Ending pollution

We're fighting to end pollution because the health of people and planet are inextricably linked.



Chemical pollution: We take action to ensure the safer use of chemicals across the EU. That means pushing for increased regulation of the most harmful chemicals and improving the implementation of existing chemicals regulations. And we're pushing for much more information on where toxic chemicals are used, so that ordinary consumers can make informed decisions to protect their health.

Air pollution: We bring legal action against local and national governments when they fail to act and protect their citizens from toxic air pollution. And we're pushing for more ambitious policies and laws that protect people's health, make air pollution a priority and support people to shift to cleaner alternatives.

Plastic pollution: Plastic is everywhere and from its production to its disposal, plastic has a huge impact on our planet. We use the law to challenge plastic plants that are polluting their surrounding environments and we push for new laws to limit the unnecessary use of single-use plastics and make plastic producers responsible for the environmental and financial costs of dealing with plastic waste.

Defending wildlife and habitats

Our survival depends on our incredible natural world. We are using the power of the law to stop damage to our ocean, forests and wildlife so that nature is able to thrive.

Defending habitats: We use our legal expertise to make sure everyone, including politicians, businesses and the public, knows their rights and obligations when it comes to protecting nature. And we work to ensure that the law defends important nature sites across Europe. This includes ocean sites, where we fight for the designation of marine protected areas and the restriction of damaging fishing activities.



Protecting species: We use wildlife protection laws to challenge governments, from stopping unlawful hunting to protecting the woods, wild places and marine habitats that nature needs to thrive.

Fisheries and sustainable seafood: Despite clear EU commitment there is still a huge problem with overfishing and illegal fishing in EU waters and EU vessels in other waters. We work for transparency in setting fishing limits, push for more effective policing of overfishing and apply pressure to make sure existing laws that could tackle illegal, unreported and unregulated fishing are fully implemented.

Protecting forests

Forests are essential for people, wildlife and fighting climate change - but they're under tremendous threat. We're dedicated to preserving them.

Making trade sustainable: We work with partners across the globe to develop stronger laws and policies that tackle deforestation caused by the illegal timber trade and the negative impacts of trade in other forest-risk commodities. We are also working to harness the trading power of the EU and UK to eliminate the destruction of nature and human rights violations from supply chains.



Supporting forest communities: We support forest communities to sustainably manage their land and improve the health of the world's forests. We collaborate with national non-profits to support the design of community forestry laws to ensure that the rights of people who depend on forests for their livelihoods are recognised in law. And we work with the most vulnerable groups, particularly women and indigenous people, to empower them to actively take part and benefit from their community forests.

Promoting environmental justice and strengthening the rule of law

We make sure environmental law is respected, because it's our best hope to protect people and the planet. And we know that climate change does not affect us equally, so we're working to promote environmental justice.

Access to justice for a cleaner Europe: We're fighting to increase the ability of EU citizens to go to court when environmental laws are broken and make sure that they know what their rights are when it comes to accessing environmental justice. We're building expertise, sharing good practises, and improving access to justice in environmental matters across the EU.

Pushing for climate change mitigation and adaptation: Climate impacts hit the most vulnerable communities the hardest. We're using the law to hold governments to account for failing to take urgent action to mitigate and adapt to climate change.

Ensuring a just transition: We're pushing for a brighter, greener future that leaves no one behind. Phasing out fossil fuels and other polluting industries has a real impact on people's livelihoods. We push for investment and policies that promote green jobs and green industries and minimise the costs and impacts for individuals and communities.

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 2021

Highlights from 2021

The end of Europe's biggest coal plant: Bełchatów is enormous – five times the size of the average coal power plant and the biggest single emitter of carbon in the EU. With its surrounding mines, it's even visible from space. We filed an unprecedented lawsuit against the plant's operators, arguing that Bełchatów must stop damaging the climate, water and soil of the region, Poland and further afield. In June 2021, Polish authorities announced that Bełchatów will start to wind up operations and the mines will begin to close. This was an outstanding result which showed the world that coal is on the way out.

Stopping coal investment: In September, monumental news came from China. President Xi Jinping announced that China will no longer fund overseas coal-power plants. Our team in Beijing contributed to this vital shift – we developed a report recommending that China stop financing overseas coal plants, on the basis that they are simply not economically viable. The report went straight up the chain of authority, gaining endorsement from key individuals in China's leadership.

Putting communities before coal: Germany's newest coal plant, Datteln IV, should never have been approved. It is built on the doorstep of a children's hospital and hundreds of homes. This year we supported a group of German residents in their legal action against the Datteln IV plant. In a pivotal ruling, the court agreed that permission to build the plant was granted illegally. This was an important step, and our second legal challenge remains in the pipeline which, if successful, will likely mean that Datteln must cease operation.

Suing the central bank of Belgium over its climate failings: Through the purchases of corporate sector bonds, Belgium's central bank is providing some of Europe's worst polluters with access to cheap finance, facilitating the expansion of their climate damaging activities. Central banks in the EU are legally obliged to contribute to the protection of our environment and respect human rights. Earlier this year we launched a landmark case against the Belgian National Bank for failing to fulfil these requirements. We also put pressure on the European Central Bank (ECB), who designed these purchasing programmes. Following our efforts, the ECB announced its commitment to incorporate climate considerations into its monetary policy. This was a momentous decision that could shift enormous financial resources away from fossil fuels and towards clean energy.

Demanding transparency on climate-related risks: We reported food delivery platform Just Eat and cruise operator Carnival to the UK's Financial Conduct Authority over their failure to properly disclose climate change risks in their investor reports. Neither of these sector-leading companies made a single reference to climate change in their annual reporting, and it was time they got to grips with the challenges at hand. The complaint also put the company's auditors, Deloitte and PwC, on notice for signing off on their reports.

Calling out corporate climate inaction: Directors have a legal obligation to act in the best interest of their shareholders. Working with our partners in the US, we launched a ground-breaking legal analysis of these fiduciary duties. Climate change poses significant and increasing risks to corporations around the world – this report outlines how directors could be breaching these duties by failing to adequately govern for climate-related risks. In 2022, we will use this argument to launch litigation targeting the worst offenders in the US, aiming to make climate inaction a thing of the past.

Improving EU forest biomass standards: The EU's forest biomass standards have come under intense criticism. Biomass – using plant or animal materials to produce energy – is often treated as a source of renewable energy that can reduce greenhouse gas emissions without harming forests. For this to be anywhere near the truth, current biomass standards require immediate reform. This year, our lawyers have been doing just this. The European Commission has been revising its biomass criteria, and we contributed by providing a detailed legal analysis of the current rules. It shows that they fail to ensure that bioenergy is produced without harming forests, or in a way that helps tackle the climate crisis.

Combatting greenwashing: Building on our high-profile success against BP, in spring we launched the Greenwashing Files. These profiles expose how certain fossil giants produce advertising that misleads the public about their climate impact. Our findings have already been cited in New York City's lawsuit against Exxon, Shell, BP, and the API for misleading consumers about climate change. In 2022, we plan to launch legal challenges against some of the worst offenders.

Winning the right for everyone to take the EU to court: After 13 years of fighting, we finally achieved a landmark reform of EU access to justice laws. The reform lifts the main barriers preventing NGOs and individuals from legally challenging environmental wrongdoings, meaning that anyone can now take the EU to court over climate-damaging decisions and practices. Access to justice is a right that is often overlooked – but this is a fundamental right in every democracy.

Detailed performance review

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

This year we celebrated two important milestones to opening up greater access to justice for citizens and civil society. First, at the beginning of the year, we achieved a comprehensive victory in our case against

the European Investment Bank (EIB) challenging their refusal of our application for internal review of a financing decision for a biomass power plant. We are defending an appeal by the EIB to ensure this decision is upheld so environmental NGOs are able to require scrutiny of EIB decisions which affect the environment. Second, after the years of legal advocacy, in July 2021, the EU co-legislators amended the Aarhus Regulation in order to bring the EU into compliance with the Aarhus Convention on access to justice. The changes will enable many more EU decisions to be subject to challenge by NGOs and members of the public.

The Environmental Democracy and Agriculture teams also achieved a political commitment to more transparency under the future Common Agricultural Policy in the EU, as the European Commission will now publish the "observation letters" with the Commission's comments on Member States' Common Agricultural Policy strategic plans.

Environmental rule of law in China

We contributed to two important policy changes marking a major step for China towards taking on a global climate leadership role. First, our detailed study to develop a traffic light system for 'greening' the Belt and Road Initiative (BRI) and subsequent advocacy led to China's announcement that it will end all financing of overseas coal. Second, the Chinese environment ministry will now include CO2 emissions in environmental impact assessments, following a study we undertook jointly with government officials.

Throughout the year, we continued working with the legal community and financial and business leaders involved in green development in China. In June, ClientEarth held a training workshop for financial institutions involved in BRI. We believe this is the first time that an environmental NGO has held a training on environmental and climate risk with Chinese financial institutions.

UK Environment

In 2021, working with the Greener UK coalition, we gained the attention and trust of multiple decision-makers and government officials responsible for post-Brexit fisheries management in the UK. We contributed to the development of the coalition's detailed policy and legal asks and subsequent advocacy activities that led to improvement in the new draft UK Environment Bill. We are working closely with Parliamentarians, Defra officials and other NGOs to continue to improve the content of the bill during its passage through Parliament. We have also submitted a response to the Government consultation on the environmental principles policy statement.

International Trade

Years of our advocacy to strengthen the boilerplate sustainability provisions for EU trade agreements were successful, as the Commission decided to launch an early review and public consultation on the matter. We also exposed flaws in procedures of negotiating trade agreements, with the European Ombudsman finding, in response to our complaint, that the European Commission failed to consider in a timely manner the potential social, economic and environmental impacts when conducting negotiations with Mercosur countries. On the financial front we successfully advocated against the establishment of an EU special investment court that was proposed by the arbitration industry to fill the gap left by the end of bilateral investment treaties.

Together with partner NGOs, we successfully advocated for the development of robust legislation on due diligence in the European Parliament, which resulted in a strong legislative report. We published two briefings on environmental due diligence and environmental impacts across company value chains and

took part in a public consultation by the Commission to indicate possible solutions to adverse impacts of business on the environment and human rights.

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 Corporate & State Accountability

In April 2021, we made headlines in national and international media with the publication of the 'Greenwashing Files' which expose how pervasive false sustainability narratives are among nine of the largest fossil fuel companies in the world. Shedding light on this issue contributed to a review by the UK Advertising Standards and Competition and Market Authorities of the rules regarding 'green' advertising in the UK.

In Poland, we launched another emblematic case on behalf of five Polish individuals who are taking their government to court for its failure to act on climate change and secured confirmation by the court that ClientEarth can represent the claimants. As the first ever time climate issues are raised before the Polish courts, the case garnered a lot of media attention.

In the UK, whilst the judgment was not made in our favour in our case against the UK government challenging its approval of Drax's plans to build a new gas fired power plant, following the case, Drax cancelled their plans for the plant. This is a welcome development given the serious danger of carbon lock-in posed by new gas development throughout Europe.

Our report on global lessons from climate change legislation was promoted at COP26, while a guide aimed at institutional investors regarding climate-related shareholder contributed to improved investor engagements with key actors throughout Europe.

Climate Finance

Our work to increase pressure on significant financiers of fossil fuel companies to set and disclose Paris-aligned climate targets led us to engage with HSBC's Board over the legal duties of directors to promote the success of the company. As a result, HSBC proposed a bold and progressive resolution committing to a phase out of coal financing by 2030 (EU/OECD) and 2040 (non-OECD) and a broader strategy to align its financing across all sectors with the Paris goals. We also worked with the Commonwealth and Climate Law Initiative to raise awareness of the legal duties of directors under Singaporean law, which was immediately picked up by the Singapore Exchange in a consultation paper on climate and diversity.

We launched an important case in the Belgian court system targeting the European Central Bank's (ECB) monetary policy that we believe are biased towards carbon-intensive companies. Alongside that litigation, we engaged in advocacy with the ECB on reforming problematic areas of the policy. As a result, the ECB announced a strategic review on a commitment to take climate considerations into account in the future. This represents a significant breakthrough for the ECB, which as a traditionally conservative institution has maintained for many years that climate issues are beyond its mandate. We will continue to engage the ECB on the forthcoming proposals and encourage ambitious reform.

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 & State Aid

We continued our extensive advocacy on energy issues at EU level, contributing in particular to legislative initiatives falling under the European Green Deal and the revision of key laws, such as the renewable energy and energy efficiency directives. Despite our active work on the EU Taxonomy – a list defining activities that are considered 'green' investment – we were disappointed to see gas, among bioenergy and bioplastics, labelled as sustainable. We will continue working to reverse this in 2022.

We succeeded in blocking a poorly designed capacity mechanism scheme that would have exempted large companies from paying some fees with the shortfall financed by the consumer. After presenting arguments on the scheme's incompatibility with EU State aid rules to the Commission, Poland withdrew its proposal.

Our long-term advocacy towards the European Commission and the Aarhus Compliance Committee on the EU's State aid regime has succeeded in opening the doors for civil society and citizens to be allowed to challenge subsidies that pose environmental harm before national courts. The European Commission has repeatedly expressed its appreciation of the team's inputs.

Fossil Fuels Infrastructure

Our work to phase out coal in Europe made news headlines with several big successes in the past year. In August, a German court ruled that the permission to build the Datteln IV coal plant was granted illegally. This ruling removes one of two legal grounds permitting the continued operation of the plant, which is located just 500m from a village and 1000m from a children's hospital. This is an important victory for the local citizens, whom we supported to bring the challenge.

In Italy, where a court challenge by ClientEarth and WWF Italy against Federico II, one of Europe's most climate-damaging coal plants, is pending, the operator, ENEL, committed to shutting down the coal units of the plant. ClientEarth and partners followed up with a report demonstrating that a possible conversion of the plant to gas contradicts decarbonisation targets and is unnecessary from an energy perspective.

We continued our multi-pronged campaign to close Bełchatów, Europe's largest coal power plant. Alongside, our pending civil claim seeking the closure of the plant, we blocked the environmental permit of the nearby Zloczew coal mine, which was to be the source of lignite for Bełchatów for many years after 2030. Without this new supply, Bełchatów will run out of lignite when its current deposits are empty. It cannot switch to a new deposit and is not planning to do so. Meanwhile, we have seen a shift in the authorities attitude marked by the new just transition plan for the area, which is the first ever official document to mention the complete closure of the coal complex.

In 2021, we expanded our regional focus and reach in Asia. First, we entered two collaborations with law school groups in the Philippines that will support the development of specialised energy, environmental and climate law expertise in 10 law schools across the Philippines. Next, we are also expanding our work to Pakistan to provide strategic and legal support to lawyers' group Alternative Law Collective on a

challenge to an environmental impact assessment of an infrastructure project to supply water to planned coal plants in the water-scarce Thar region.

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 saw a number of important successes in our main target jurisdictions. In January, ClientEarth and Brussels residents won a five-year legal battle for clean air. After finding that the Brussels regional government had failed to correctly monitor and protect the health of its citizens against harmful levels of air pollution, the court ordered that the authorities take immediate action to address the issue. A similar finding on failure to take appropriate action was made by a Bulgarian court in a case brought by our partner, Za Zemiata with ClientEarth's support. Following this finding, the court upheld an interim measure ordered in 2019, which included providing information on particulate matter pollution levels, road washing and bicycle paths. In the UK, Bath & North East Somerset Council successfully launched a Clean Air Zone, excluding the dirtiest vehicles, in order to cut NO₂ emissions to legal levels, alongside £9.4 million of funding from central government to help residents and businesses to replace polluting vehicles with cleaner, compliant ones.

Building on our domestic cases, which forced action on air pollution across the main urban centres in Germany, we engaged the European Commission throughout their infringement action over Germany's systematic failure to address illegal levels of air pollution. The Commission repeatedly referred to information we provided in its argumentation before the EU court and succeeded in obtaining a judgment condemning Germany's breach of EU law.

In Poland, we put additional pressure on the government by engaging the UN Child Rights Committee as it produced its first country report recommendations on air quality and climate change issues in relation to children's human rights.

In our work to address the EU's flawed vehicle authorisation process, we obtained a court order forcing auto manufacturer Fiat to disclose information about the testing of the model 500X, whose real world NO₂ emissions reach 22 times the legal limit. This ruling is a first fundamental success against a completely opaque system.

Harmful Chemicals

This year we began work to increase the transparency of pesticides-use data across the EU. Working with several other NGOs we had some early advocacy successes, including securing positive amendments by the Parliament and convincing Germany to change its position ahead of a Council vote.

We also witnessed long-desired improvements in the way the Commission and European Chemicals Authority (ECHA) interpret the rules on authorisation of harmful substances. This was triggered by a finding by the EU court that the authorisation of certain lead and chromates in paint pigments was illegal. While ClientEarth first engaged the Commission about this decision in 2016, we lacked standing to bring the case to court. Nonetheless, following a case brought by Sweden, we were able to advise the EU institutions on how to make the authorisation process more rigorous.

We also undertook vital groundwork for the upcoming reform of the EU's REACH Regulation, which we will continue to work on actively in 2022 to ensure that the regime for chemical regulation is fit-for-purpose.

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.

At EU level, we actively engaged in the European Commission's review of illegal logging rules by inputting into the study underpinning the review process and responding to extensive public consultation on the Timber and Forest, Law, Enforcement, Governance and Trade (FLEGT) Regulations.

We have been conducting research and gathering evidence for a potential complaint to the EC regarding the actions of the Polish Competent Authority, and a subsequent launch of infringement proceedings against Poland on the improper implementation and enforcement of the EUTR in Białowieża Forest.

We played an important role in agreeing priority issues amongst the UK NGO Forest Coalition regarding the Deforestation Schedule in the UK Environment Bill. A strong joint briefing was finalised and signed by key allies, published and shared with MPs and Peers with all priority amendments to the UK Environment Bill tabled in the House of Lords and debated during Committee Stage.

We initiated a new five-year programme of work on community forestry in Gabon, Republic of Congo and Liberia, as well as demand-side measures to reduce deforestation in the EU and China. We undertook advocacy around the importance of fair benefit sharing with communities and the role of strong agreements (contracts) to protect communities' rights in Asia, and worked with regional policy and decision-making bodies (namely the Association of Southeast Asian Nations (ASEAN) Working Group on Social Forestry) to develop regional guiding principles for successful community forestry.

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

We achieved notable success in our advocacy on the revision of the EU's Control Regulation, which is the primary tool for implementing the bloc's fisheries policy. Following a coordinated effort with nine other organisations, the European Parliament adopted key changes to the legal text, including provision for remote electronic monitoring of large vessels, digital traceability of fish from point of catch to point of sale, improved reporting and access to information.

Alongside this work, we also adopted a new approach in our work addressing enforcement gaps – the use of litigation at national-level. In June we launched a ground-breaking and high-profile case involving the very powerful large-scale fishing fleet industry in the Netherlands. We also supported a case brought

by Friends of the Irish Environment, which was referred to the EU court to review the validity of the catch limits set by the EU Council under a completely opaque procedure.

We have been gathering a broad range of support for our work on the elimination of fisheries fuel tax exemptions from the Energy Taxation Directive (ETD). We sought economists' opinions, who concluded that although these exemptions generate a lot of revenue, they don't benefit the fishers themselves. We produced an ETD briefing aimed at decision-makers at the national level who will decide within the Council on the next steps for the ETD.

Sustainable Seafood

Having grown to 42 UK members, representing 80% of the country's largest retailers, the Sustainable Seafood Coalition updated its strategic plan, setting an updated vision and two-year activity plan.

At the EU level, we were able to significantly influence two sets of Markets Advisory Council (MAC) recommendations – one on voluntary claims and one on a business code of conduct. This has raised the profile of ClientEarth's markets work, allowing us to connect with other businesses and strengthen our collaboration with other NGOs, amplifying our impact at EU level.

We featured on a prime time Spanish TV show, ¿Te lo vas a comer? (Are you going to eat that?) exposing the widespread mislabelling and misrepresentation of species at a fish market in Madrid. This awareness raising is an important strand of our strategy as the European Green Deal is largely predicated on consumer empowerment, yet it remains difficult for consumers to ensure that their seafood purchases are sustainable.

Plastics

In our longstanding challenge to INEOS' plans to expand its plastic production plant in the Port of Antwerp, the company announced its decision to cancel plans for one of two installations it planned to build. We are continuing to oppose the second installation which would be a significant source of greenhouse gas emissions and air pollution.

We filed a notification to the Dutch Financial Markets authority against Dutch supermarket giant Ahold Delhaize for failure to comply with reporting requirements relating to its use of single-use plastic packaging. This case forms part of a new strategy that aims to highlight the major role that companies selling packaged food and drink play in the plastics crisis, as well as the gaps in the current business disclosure practice. To build awareness of the business risk of plastics we also published our 'Material Issues' report focusing on 'Big Food'.

Our advocacy on the implementation of the Single Use Plastic Directive (SUPD) also bore success with the Commission taking up three of our four key asks in its interpretive guidelines. We were also granted permission to intervene in a case on the side of the Commission, which is defending a challenge to the SUPD Implementing Regulation by plastics manufacturers.

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

We continued to take action in target countries to protect Europe's most precious species and habitats. Working with partners in the Western Balkans, we defended nature sites in Serbia, Bosnia and Herzegovina, and Albania against damage by hydro-power plant development. A particular highlight was the Energy Community Secretariat's decision to pursue a first-of-its-kind case against Albania on the basis of our complaint, which led to the Albanian Prime Minister announcing the cancellation of two projects.

In October we lodged a complaint with the Commission relating to the catastrophic pollution of the Mar Menor Mediterranean coastal lagoon in Murcia (Spain). This has been caused by nitrates from agriculture and the failure of the Spanish authorities to comply with EU law to prevent the ecological collapse of this Natura 2000 protected site. This legal work will also lay the groundwork for legal interventions before national courts in 2022 when the river basin management plan (including the Mar Menor) is to be approved.

We submitted observations to the Strategic Environmental Assessment of the Italian national plan identifying areas suitable for hydrocarbon activities, which failed to exclude protected areas as required by EU law due to implementation gaps.

During the International Union for Conservation of Nature (IUCN)'s internal negotiations relating to the post-2020 Global Biodiversity Framework, all wording proposed by ClientEarth was accepted with an overwhelming majority. This represents an important step towards our work to achieve international commitment to protect precious wildlife and habitats.

Agriculture

Our agriculture work focused on using advocacy to influence the EU institutions and Member States. This work resulted in improvements in the legal text of the Common Agricultural Policy (CAP) to ensure stronger rules on public participation and stricter reporting requirements for Member States. Together with partners, we also pressured the Commission to provide greater transparency over their assessment and approval processes for the CAP rural development programmes, establishing a positive precedent for assessing and approving new CAP strategic plans.

We engaged in the EU's new Soil Strategy and the ambitious Farm to Fork Strategy and related proposals which aim at making food systems green, fair and healthy – a key part of the EU Green Deal. Our focus was on raising awareness to keep agriculture, food and soil matters high on the political agenda through interviews with media outlets and organising high level discussions. Consequently, ClientEarth has become a recognised legal expert on these topics and a vocal leader of the environmental NGO coalition in Brussels working to influence EU policy.

Challenges in 2021

Rule of Law and access to justice

We are seeing dramatic delays in response times to requests for access to environmental information. The lack of timely access to the environmental information involved in EU decision-making has a very

negative impact on the ability of NGOs like ClientEarth to challenge the resulting decisions in Court, making it a systemic issue for our mission generally.

We are also facing the issue of shrinking civil society space, such as the proposal from the Polish Government to put conditions on foreign financing of NGOs. Environmental NGOs in Poland face hostile attitudes from the right-wing national government, including the Minister of the Environment. A polarised political scene and our work on subjects typically associated with left-wing progressives makes it very difficult to influence the current government by using advocacy. The political polarisation translates into a polarised media landscape, which complicates delivering our message to more conservative and centrist audiences. Some team members and partners were even targeted by right wing media as a result of their work on illegal logging in Białowieża and bison culling.

Similarly, in Bulgaria a law was passed in 2018 restricting the ability of people, public institutions and NGOs to raise legal environmental action in court, and the failure of existing legal systems to effectively enforce environmental rules. Access to justice barriers, particularly in Eastern Europe, have generally made progress difficult. This has been compounded by roll-backs of environmental and information rights in the wake of Covid-19.

In our work in trade the European Commission's resistance to any systemic changes on trade and investment issues has resulted in slow progress on moving EU trade policies towards a model of sustainability. At the same time, across the environmental NGO sector, there is limited capacity and a limited number of partners on trade and investment-only issues. A key challenge looking forward will be to expand our network with new partners in order to be able to cover a wider spectrum of actions, legislations and topics.

Covid-19

Covid-19 continued to provide a range of challenges to our programmatic work in 2021, particularly as a result of not being able to meet with people face-to-face. The team building our work in Asia faced difficulties building strong relationships with national and regional partners as a new actor in the region. The work of our Forests Team has always been heavily focussed on activities and stakeholders in other geographies, so travel has always been an important aspect of their work. With the ongoing travel restrictions this proved increasingly difficult. In countries where we have established programmes, this can be managed for the short term, with our in-country partners continuing essential programming while our interventions occur remotely. Newly identified strategies and geographies require extensive relationship building with new stakeholders and potential partners. While this can be accomplished to some extent via electronic communications, it is much less effective than in-person relationship building.

In the UK, progress in amending the Environment Bill to enshrine WHO guidelines on PM2.5 into law stalled as the government shifted priorities to dealing with the pandemic. On a local level the Greater Manchester local authority delayed long-standing proposals to introduce a Clean Air Zone.

The pandemic has caused delays to court schedules and made it difficult to engage politicians and decision-makers. Nature conservation legislation has been rolled back in some places during the pandemic. The same applies to the international planning on biodiversity governance: The 15th Conference of the Parties of the CBD has been delayed by (at least) 18 months, with negotiating during the intersessional period being quite ineffective in advancing the process.

Our Chemicals Team faced challenges caused by ever-evolving timelines of EU decision making, and some of the specific delays, such as to Food Contact Materials consultation were caused by Covid-19.

Other issues

Industry resistance posed a challenge in terms of slowing down planned reforms at an EU-level in a number of areas of our work. There are a range of very well-funded industry lobby groups fighting against many areas of reform that would support the ambitions of society more broadly to move to a net-zero world and to protect nature.

Communicating on a number of areas of our work have proved to be challenging, for instance on the importance of sustainable fisheries for a healthy ocean and environment as a whole to a broad audience. Equally, conveying the role that agriculture plays in the climate and the biodiversity crisis has been challenging. While fossil fuels companies can be easily blamed, agriculture is often associated with bucolic landscapes and romantic visions of farmers. As industrial farms are far from urban areas and consumers' relationship with food is mediated by supermarkets, the reality of intensive agriculture is not understood by most of EU citizens.

Managing the quality of work provided by pro bono lawyers, which we do through providing extensive guidance and regular monitoring.

Future plans

Protecting nature

Our oceans work will focus on enforcing compliance with fisheries rules by EU fishing vessels (both in EU and non-EU waters), eliminating harmful fishing subsidies in the EU, implementing and enforcing EU sustainable catch levels, as well as making complaints to the European Commission about seafood labelling. We will also start pushing to establish overfishing as a business risk and to normalise corporate reporting on overfishing.

Our Forests Team will continue to undertake legal reform and capacity building to tackle deforestation. We will start to use strategic litigation to support our work stopping deforestation, focussing on the Amazon, the Congo Basin and south-east Asia. The team will also focus on new regulations and government guidelines to reduce deforestation from China's overseas investment and trade.

Our wildlife and habitat protection work will focus on using the internal processes, including the CBD CoP and Global Biodiversity Fund, to push 30/30 target implementation. Alongside that we will continue enforcing key EU nature protection Laws – Habitats, Birds, Natura 2000 Directives – in central and eastern Europe and the Western Balkans. As well as enforcement work we will be actively advocating for new EU legislation on restoration of habitats.

The energy transition and climate change

We will continue the expansion of our corporate and climate finance work, focusing on the use of fiduciary duties in Europe and the US to press for swifter action on climate change. Our legal work will also focus on applying pressure to public and private finance institutions to align with the Paris Agreement and developing new strategies to address financial greenwashing.

In China, our climate accountability efforts will be focused on Advocating for ways to 'green' China's Belt and Road Initiative, the extensive infrastructure projects spanning much of the world. We will continue our work to tackle greenwashing, with claims against companies in Europe and the US. Our work in south east Asia will continue to build, focusing particularly on shareholder engagement. We plan to deliver novel litigation against using human rights and directors' duties to drive action on climate change, while also challenging the UK's Net Zero Strategy, which we believe lacks substance.

Preventing the lock-in of new gas infrastructure will be a major priority for energy systems and fossil fuel infrastructure work in Europe and south east Asia, where we will bring energy market and infrastructure challenges. As many parts of the world transition fully away from using coal to generate power, it's also important that we don't simply move to other fossil-based fuels. We will push for the final phase-out of coal in Europe, targeting a date of 2030 for the EU and 2030-40 for the western Balkans. At EU level we will be advocating on the revision of the EU Industrial Emissions Directive and challenging subsidies for fossil fuels.

We are planning to start our first litigation in support of our work on agriculture, with a focus on agricultural pollution run-off and Common Agricultural Policy (CAP) plans in Europe. Alongside the litigation we will be undertaking advocacy on the CAP implementation and on the UK's post-Brexit agricultural subsidies regime.

Human health

This is an important year for our work tackling the harm caused to human health by toxic chemicals. The regulations covering chemicals in the EU (REACH) are being reformed and we will input into that process, trying to ensure that there are restrictions on the use of the most harmful chemicals such as PFAs and bisphenols. We will also be pushing to improve collection and publication of data about pesticide use in the EU and carrying out advocacy and litigation targeting use of pesticides in the UK.

A big focus of work tackling plastic pollution will be the continuation of our long-running battle against INEOS's expansion of its plastics production plant in the Port of Antwerp, working with local campaigners to prevent the expansion going ahead. We will also be engaging in reform of the EU Packaging and Packaging Waste Directive, while also trying to establish plastics as a business risk and ensure it is well reported on.

Air pollution is one of our longest-running areas of work and we will continue our litigation strategy to enforce the Air Quality Directive and reduce pollution in cities across the UK, Germany, Poland and Bulgaria. We have been advocating for alignment of EU and UK laws with WHO air quality guidelines and this will continue in 2022 but we will also bring novel litigation using human rights and fundamental rights to address impacts of air pollution on individuals in a number of countries.

Rule of law

Our work on Environmental Democracy in the EU will follow-on from the success in 2021 in opening up access to EU citizens to take action under the Aarhus Regulation and will look at testing the new EU internal review procedure. We will also work on ensuring access to justice is embedded in any new laws created under the European Green Deal. We will also continue capacity-building for the legal community and civil society, so that they can exercise their environmental democracy rights across the EU

We will continue to advocate strongly for the inclusion of sustainability provisions in trade deals and for the EU withdrawal from the Energy Charter Treaty. The ECT is an outdated investment treaty which allows companies to bypass national courts and sue states for billions in compensation in secretive tribunals, notably when environmental or climate action affects their economic interests.

In Poland we will focus on the implementation of new EU legislation on sustainable corporate governance. In the UK will be heavily scrutinising how the Government uses its executive powers and working to protect judicial review, a critical component in the country's democracy. In China we will be working to integrate climate change into the country's laws and helping prosecutors to bring climate litigation.

Organisational transformation

In 2022 the organisation is undertaking a series of inter-connected transformation projects, which will ensure that the organisation is positioned to deliver the greatest possible impact on its mission in the coming years. Much of the foundational work for this process was done in 2021 and this year we will see us embedding it into the organisation.

During 2021 we spent a significant amount of time co-creating a new Strategic Framework, which will guide our work in the coming years, including the way that we organise our work in order to deliver the greatest possible systemic change. The Framework was finalised in the first quarter of 2022 and this year we will embed it fully within the organisation, so that it is operational in January 2023. As part of developing the Framework we have also refreshed our organisational values and will roll these out in 2022, so that every part of our organisation is truly living and breathing them.

In order to support the delivery of our new Strategic Framework and to resolve some of the challenges that have arisen following a period of swift growth, in 2021 we reviewed and redefined our operating model and organisational design. We will start to implement this new model in 2022, significantly evolving the way that we organise our teams and how we structure our programmes. We expect the majority of these changes to be rolled out by the end of the year.

Our founding-CEO, James Thornton, will transition into the role of President and Founder and the organisation will welcome a new CEO. The Board of Trustees have commenced the process of recruiting for a new CEO and we expect them to be in post in the second half of 2022.

Monitoring, evaluation and learning

After 18 months of development, consultation and refinement 2021 saw the roll out of our organisational approach to monitoring, evaluation and learning (MEL). Our approach is driven by the needs of our programmes and ensures we have consistent and reliable data that is meaningful, and enables us to make evidence based decisions and demonstrate our effectiveness and impact to others.

Underpinning our approach is the organisational Legal Action Theory of Change which sets out how ClientEarth sees change happening and what our contribution can be through the undertaking of our legal actions. Each programme initiative's theory of change has been aligned to this providing consistency across all of our programme initiatives.

With the transition to a new five-year strategic framework planned for 2022, we purposefully kept our MEL work focused at the initiative level so that it could be aligned to a new organisational structure more easily. Therefore each initiative has a MEL framework which provides a space to collect a range of data including progress against indicators; a log of significant activities; evidence of impact; and details of challenges faced. Collecting more consistent data across initiatives and geographies will allow us to better evidence and understand impact, learn and ultimately improve. Over the course of 2021 the MEL

team have supported initiatives to implement these frameworks and fully integrate MEL processes into ClientEarth's programmatic work.

Structure, governance and management

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

The trustees, who are also the directors for the purpose of company law, who served during the period 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 four board committees, covering finance and investment, governance, CEO performance and remuneration, and equality, diversity and inclusion. The Finance and Investment Committee meets four times a year ahead of board meetings, the Governance Committee and Equality, Diversity and Inclusion Committee also meet four times a year. The Remuneration Committee meets on an ad hoc basis.

In 2021 the Board commissioned an external review of board effectiveness. The recommendations from this report were approved by the Board and are intended to ensure that ClientEarth has the highest standard of governance. An implementation plan to deliver the recommendations is being overseen by the Governance Committee.

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

New trustees are provided with an induction material containing relevant information regarding the charity, including the governing document, latest management reports and financials, together with relevant guidance on the role and responsibilities of trustees.

Trustees are gradually moving to new 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 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), James Thornton, who is supported by a senior leadership team (SLT). Late in 2021 the Board launched a process to identify a successor to the CEO. It is expected that a new CEO will be identified in early 2022.

ClientEarth Offices

ClientEarth has its headquarters in the UK, and a number of offices throughout the world: Belgium, Germany, Luxembourg, Poland, Spain, the USA and China. In addition, it operates in many countries throughout Europe, Central and Eastern Europe, Central and Western Africa, and Asia Pacific through partners and sub-grantees.

The charitable work of the organisation is structured by programmes, which are led by programme heads or programme leads. This programme-centric structure is distributed across the offices without reference to geographical location, so that teams may be dispersed in more than one office. This structure is complemented by staff in geographic locations that can bring local expertise and a strategic perspective on the issues in the region. In 2021 the London headquarters moved to new premises in Drayton Park, 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 Trading Ltd is a trading subsidiary of ClientEarth in the UK. ClientEarth is the sole member of the company. The subsidiary only carries out small-scale primary purpose trading activities which directly further the charity's charitable objects.

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 (previously EarthRights Luxembourg ASBL)	Non-profit association	2017
Poland	Fundacja ClientEarth Prawnicy dla Ziemi	Polish Foundation	2016
Spain		Branch of ClientEarth Limited	
UK	ClientEarth Trading 23imited	Trading subsidiary of ClientEarth Limited	2020 (dormant in 2021)

ClientEarth in China

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

There is a related, independent ClientEarth entity in the US, ClientEarth USA Inc., which operated 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.

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

Climate Change and Environmental Policy

ClientEarth is committed to reducing energy consumption and waste by encouraging staff to adopt sustainable practices and behaviours in the office. 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 Senior Leadership Team and can be found on the ClientEarth website. The Deputy Chief Executive is accountable for the policy and it is subject to periodic review.

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.

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

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

Risk management

The trustees are responsible for the oversight of the risks faced by the organisation. In 2021 a new Risk Management Policy was approved by the Board to provide a framework to guide the organisation's decision-making on risk management. The organisation 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 Committee review 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 examine the register in detail.

The trustees consider the most serious risks to which the charity is exposed at present 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 Senior Leadership Team and Governance & Risk Committee of the Board.
- The risk of cyber-attack that results in loss of data. The Senior Leadership Team 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 is embarking 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 will allow 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 are being investigated. This has been reported to the relevant donors and regulatory bodies.
- Safeguarding: there were no safeguarding incidents reported.

Fundraising

Despite the ongoing challenges of operating in a world still dominated by COVID-19, ClientEarth had a very positive year in terms of income. All income channels exceeded their targets and we made progress in regards to our income mix, our diversity of donors and in turn improved the financial sustainability of the organisation.

Our biggest income growth has been in philanthropy, where we have seen numerous new donors join us with generous unrestricted gifts and as a result of our increased engagement of wealth advisors and our ongoing commitment to improved donor care. As a result, we have also had several donors step up their annual giving. Our digital fundraising also continues to grow and we will aim to strengthen our digital supporter base in the year to come, not just in the United Kingdom, but also further afield.

As well as broadening our income channels, we've also had the great fortune of a collaboration with the Gallery Climate Coalition and Christie's. This is the result of our ongoing engagement with the music and cultural world and resulted in several high profile auctions. These generated several millions of pounds of income, which has gone into a designated fund and will be invested into our continued growth and work globally. This relationship will continue into 2022, and has also helped us to broaden our network.

Our work with large grant funders has also continued to develop positively, with strong renewal rates, and continued efforts to ensure we deliver impact and work closely with our growing portfolio of large funders.

We have grown our international footprint in fundraising with rising income from donors in the United States and also in mainland Europe, and we will continue our efforts to grow our fundraising network reflective of ClientEarth's programmatic footprint.

At the end of 2021, the ClientEarth Board signed off a one-off investment into fundraising, to ensure we can continue our growth in income and solidify our financial sustainability. This investment came as a result of the finalisation of a new fundraising strategy of ClientEarth, which charts out how we plan to continuously diversify our funder base, grow strategically and ensure a more international footprint. Ensuring a healthy unrestricted/restricted income mix and recognising the increased need for risk management underpins the strategy, which links closely to the new organisational strategy.

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 (2020: nil). 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

During 2021, we continued to place great emphasis on the wellbeing of our people across all our offices, as we have done since the onset of the global COVID pandemic in March 2020. Not only has it been a physical health crisis but increasingly it impacted on mental and financial health and wellbeing as a result of social constraints, challenging work-life pressures, general uncertainty and insecurity,

Throughout the year, we continued to carry out regular 'staff pulse surveys' to gauge wellbeing levels and to provide the senior leadership team with reliable and timely feedback upon which to base decisions on how best to support our people during these unprecedented times. We received consistently good feedback from our people who felt they were being kept informed and supported overall.

During the year, we started developing a new health and wellbeing strategy to build on the positive feedback we have received during the pandemic. Our people's health and wellbeing – physical, mental and financial – will be at the heart of all we do, as we hopefully move on from the pandemic into more normal circumstances.

As our organisation continued to grow, during the year we advertised 117 jobs, received 5270 applications, carried out 440 interviews and made 107 job offers with 93 acceptances.

Equality, diversity and inclusion (EDI)

ClientEarth is committed to promoting equality, good diversity management and providing an inclusive working environment for all our people, including staff, volunteers and interns.

Underpinned by leadership from our trustees and our senior leadership team (SLT), we have embarked on a journey to realise our commitment through the establishment of a Global staff EDI Committee, an SLT EDI sub group and a Board EDI Committee. This gives us a strong infrastructure to support our commitment to anti-racism, equality, diversity and inclusion across all the countries in which we work.

To promote and raise awareness of EDI matters among our people, we delivered EDI and unconscious bias sessions to all new staff and will be rolling out a global unconscious bias training programme in 2022. We have incorporated EDI thinking into our HR activities across recruitment and selection practices, wellbeing initiatives based on an analysis of reliable data and created an extensive EDI resource centre for our people.

We are shortly bringing on board individuals for paid work placements from diverse backgrounds as part of the UK government's Kickstart scheme.

ClientEarth has representation on an external EDI Group with a number of other environmental charities working on a project to develop a route map to support diversify within the sector, with a focus on ethnic diversity.

We have recently undertaken an EDI audit across all our offices and in 2022 we will be developing and rolling out our first 5-year Global Equality, Diversity and Inclusion Strategy.

Financial review

In 2021 we secured income of £28,320k (2020 £20,791k), a growth of 36%. 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 2021 we successfully increased funding for the following charitable activities: Rule of Law, Climate and Forests, and received £3m of unrestricted income from a series of auctions of donated art work through Artists for ClientEarth, which the Board has voluntarily designated for charitable activities to fight climate change.

Total expenditure increased by 28% to £21,636k (2020: £16,850k) with increased charitable activities expenditure across key programmes including Energy Transition, Forests and Wildlife protection; plus investment in organisation infrastructure including IT to support agile working, and new office space in London and China. Given the nature of our work, staff costs represent 59%, and consultancy services, sub-grants and litigation costs 22% of our annual expenditure.

A strong fundraising performance exceeded target unrestricted income, which, together with good returns on investments and close cost control means that we end the year with a higher than forecast unrestricted surplus of £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, with our largest donor reducing to 16% of total income (2020 25%). In 2021 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. In December 2021, the Board approved a new 3 year fundraising strategy that focuses on growing unrestricted income faster than restricted, to further strengthen financial resilience and support organisational growth.

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. During the year ClientEarth registered for VAT in the UK, prompted by the auction of donated artworks (a zero-rated supply) that took income over the UK VAT threshold; in addition, a provision has been made in the 2021 accounts for a potential prior year VAT liability that we are finalising with HMRC.

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 work closely with the 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 ClientEarth 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 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 to just under \$19m by the end of December 2021, despite a volatile period in the second half of 2021. This is carried at a fair value of £12.8m in the Balance Sheet, of which £657k is held in liquid assets.

Reserves policy

The charity's reserve policy considers the financial risks that the charity is exposed to, and sets the target level of free reserves accordingly at 25% of annual internal expenditure (defined as total annual expenditure, less sub-grant and litigation costs and one-off provisions). The target level of free reserves at the end of 2021 increases to £4,199k (2020: £3,629k) due to planned increases in internal 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.

Overall Reserves at the end of 2021 were £33,370k (2020: £26,045k), made up of:

- Unrestricted Reserves
 - General Funds of £7,333k (2020: £4,372), which after deducting £962k (2020: £326k) funds tied up in Fixed Assets leaves free reserves of £6,371k (2020: £4,046k)
 - Voluntarily Designated Reserves of £12,827k (2020: £13,528k)
- Restricted Reserves of £13,210k (2020: £8,144k)

Reserves review

Unrestricted reserves

At the end of 2021 a net unrestricted surplus of £2,960k boosted unrestricted Reserves to £7,333k (2020: £4,372), which after deducting £962k (2020: £326k) funds tied up in Fixed Assets leaves free reserves of £6,371k (2020: £4,046k). The increase in Fixed Assets is exceptional and is due to office relocation and fit-out in London and Beijing. This strong performance enabled the charity to continue to meet its minimum free reserves target and budget for further growth in costs in 2022 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 £1,034k (2020 £1,096k) was spent on initiatives including expanding decarbonisation work in Asia, using international human rights law to defend East African communities, working with NGOs, universities and public bodies in Europe to clamp down on greenwashing and misinformation; and organisational strengthening building.

In 2020 lottery operations generated a net unrestricted income of £2,024k in the final quarter of the year, to fund activities during 2021. Trustees resolved to carry this over as designated funds for specific charitable purposes. Of this £1,524k was spent in 2021 on supporting ClientEarth to drive organisational development and support work tackling the most pressing environmental challenges including supporting the transition to clean and sustainable energy systems in Europe and Asia, securing an exemplary framework for UK environmental law and governance and strengthening laws which protect marine ecosystems and wildlife, with £500k being set aside for a high profile case launched in March 2022.

At the end of 2021, trustees voluntarily designated £3,066k of unrestricted income raised from a series of 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. Over the period of our next five year financial plan that accompanies our new strategic framework, total expenditure exceeds total income, as we spend down these funds according to the agreed designation.

Restricted reserves

We spent down restricted funds received in prior years, and secured new funding, finishing 2021 with a higher total balance of restricted funds: £13,210k (2020: £8,144k). Due to donor giving cycles, this includes grant funding received at the end of the financial year for charitable activities in 2022.

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.

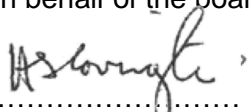
The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

01/09/2022

.....
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 gGmbH, 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.

CLIENTEARTH

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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 2021 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 2021 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

CLIENTEARTH

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLIENTEARTH

prepared is consistent with the financial statements; and

- 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.

CLIENTEARTH

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLIENTEARTH

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 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: 26th September 2022

CLIENTEARTH

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

		Unrestricted funds	Designated funds	Restricted funds	Total	Total
	Notes	2021 £	2021 £	2021 £	2021 £	2020 £
<u>Income and endowments from:</u>						
Donations and legacies	3	4,417,024	-	1,624,660	6,041,684	4,583,332
Charitable activities:	4	24,416	-	18,894,052	18,918,468	13,860,930
Other trading activities	5	3,065,981	-	-	3,065,981	-
Investments	6	191,209	-	-	191,209	155,106
Other income	7	13,545	-	89,681	103,226	2,191,339
Total income		7,712,175	-	20,608,393	28,320,568	20,790,707
<u>Expenditure on:</u>						
Raising funds		1,496,054	88,395	397,942	1,982,391	1,169,189
Charitable activities:	9	2,150,203	2,358,696	15,144,219	19,653,118	15,681,046
Expenditure		3,646,257	2,447,091	15,542,161	21,635,509	16,850,235
Net gains on investments		640,405	-	-	640,405	1,221,976
Net income before transfers		4,706,323	(2,447,091)	5,066,232	7,325,464	5,162,448
Gross transfers between funds		(1,745,897)	1,745,897	-	-	-
Net movement in funds		2,960,426	(701,194)	5,066,232	7,325,464	5,162,448
Fund balances at 1 January 2021		4,372,466	13,528,483	8,143,776	26,044,725	20,882,277
Fund balances at 31 December 2021		7,332,892	12,827,289	13,210,008	33,370,189	26,044,725

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.

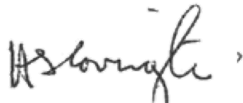
CLIENTEARTH

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Intangible assets	13		48,385		72,131
Tangible assets	14		913,508		253,797
Investments	15		13,538,543		12,756,349
			<u>14,500,436</u>		<u>13,082,277</u>
Current assets					
Debtors	16	7,329,033		3,868,189	
Investment cash		657,031		524,278	
Cash at bank and in hand		14,529,399		9,732,905	
		<u>22,515,463</u>		<u>14,125,372</u>	
Creditors: amounts falling due within one year	17	<u>(2,202,710)</u>		<u>(1,162,924)</u>	
Net current assets			20,312,753		12,962,448
Total assets less current liabilities			34,813,189		26,044,725
Provisions for liabilities	18		<u>(1,443,000)</u>		-
Net assets			<u>33,370,189</u>		<u>26,044,725</u>
Income funds					
Restricted funds	20		13,210,008		8,143,776
Unrestricted funds - Designated	21		12,827,289		13,528,483
Unrestricted funds - General			7,332,892		4,372,466
			<u>33,370,189</u>		<u>26,044,725</u>

The financial statements were approved and authorised for issue by the Board on 1 September 2022



H Covington (Chair)
Trustee

01/09/2022
Date.....

Company Registration No. 2863827

CLIENTEARTH

COMPANY STATEMENT OF FINANCIAL POSITION

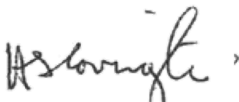
AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Intangible assets	13		48,385		72,131
Tangible assets	14		842,276		230,208
Investments	15		13,538,543		12,756,349
			<u>14,429,204</u>		<u>13,058,688</u>
Current assets					
Debtors	16	7,007,211		3,740,607	
Investment cash		657,031		524,278	
Cash at bank and in hand		13,626,828		8,990,292	
		<u>21,291,070</u>		<u>13,255,177</u>	
Creditors: amounts falling due within one year	17	<u>(1,818,515)</u>		<u>(1,220,070)</u>	
Net current assets			19,472,555		12,035,107
Total assets less current liabilities			33,901,759		25,093,795
Provisions for liabilities	18		<u>(1,443,000)</u>		-
Net assets			<u>32,458,759</u>		<u>25,093,795</u>
Income funds					
Restricted funds	20		12,640,257		7,634,048
Unrestricted funds - Designated	21		12,827,289		13,528,483
Unrestricted funds - General			6,991,213		3,931,264
			<u>32,458,759</u>		<u>25,093,795</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 2021 were £27,730,382 (2020: £20,286,414) with the positive movements in funds being £7,364,964 (2020: £5,483,735).

The financial statements were approved and authorised for issue by the Board on 1 September 2022


H Covington (Chair)
Trustee

01/09/2022
Date.....

Company Registration No. 2863827

CLIENTEARTH

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	22	5,703,362		2,995,207	
Investing activities					
Purchase of intangible assets		-		(65,988)	
Purchase of tangible fixed assets		(825,475)		(186,954)	
Proceeds on disposal of tangible fixed assets		1,941		-	
Purchase of investments		(3,192,753)		(20,640,959)	
Proceeds on disposal of investments		3,050,963		8,596,270	
Interest received		191,209		155,106	
Net cash used in investing activities			(774,115)		(12,142,525)
Net cash used in financing activities			-		-
Net increase/(decrease) in cash and cash equivalents			4,929,247		(9,147,318)
Cash and cash equivalents at beginning of year			10,257,183		19,404,501
Cash and cash equivalents at end of year			15,186,430		10,257,183

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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
- In December 2021, the Board approved a 5 year financial plan to accompany 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.

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 2021

1 Accounting policies

(Continued)

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

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

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 and are not transferred between restricted and unrestricted funds.

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 2021

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

2020 Comparatives

Raising funds	10%
Rule of Law	13%
Climate	10%
Energy Transition	22%
Pollution & health	14%
Forests	10%
Oceans	10%
Wildlife	11%

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
----------	-------------------

1.7 Tangible fixed assets

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

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

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

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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.

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.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.12 Foreign exchange

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

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

1.13 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 the financial and operating policies so as to obtain economic 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 2021. 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.

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

Judgment is required in applying the charity's policy on income recognition below:

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).

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3 Donations and legacies

	Unrestricted funds	Restricted funds	Total	Unrestricted funds	Restricted funds	Total
	2021	2021	2021	2020	2020	2020
	£	£	£	£	£	£
Donations and gifts	4,417,024	1,624,660	6,041,684	3,287,840	1,295,492	4,583,332

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

4 Income from Charitable Activities	Rule of law		Climate and the Paris agreement		Energy transition		Pollution & health		Forests		Oceans protection		Wildlife protection		Total 2021		
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Analysis by fund																	
Unrestricted funds	-	23,041	-	1,375	-	-	-	-	-	-	-	-	-	-	-	-	24,416
Restricted funds	3,832,489	4,838,159	4,315,471	1,655,352	4,315,471	2,599,058	2,599,058	936,052	936,052	717,471	717,471	18,894,052					
	3,832,489	4,861,200	4,315,471	1,656,727	4,315,471	2,599,058	2,599,058	936,052	936,052	717,471	717,471	18,918,468					
For the year ended 31 December 2020																	
Analysis by fund																	
Unrestricted funds	175	17,037	-	1,090	-	-	-	-	-	-	-	-	-	-	-	-	18,302
Restricted funds	2,789,498	2,306,326	4,235,175	1,676,355	4,235,175	1,595,366	1,595,366	626,016	626,016	613,892	613,892	13,842,628					
	2,789,673	2,323,363	4,235,175	1,677,445	4,235,175	1,595,366	1,595,366	626,016	626,016	613,892	613,892	13,860,930					

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

5 Other trading activities

	Unrestricted funds	Total
	2021	2020
	£	£
Trading activity income: Sale of donated goods	3,065,981	-

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

6 Investments

	Unrestricted funds	Unrestricted funds	Endowment funds designated	Total
	2021	2020	2020	2020
	£	£	£	£
Income from unlisted investments	182,069	-	98,108	98,108
Interest receivable	9,140	56,998	-	56,998
	<u>191,209</u>	<u>56,998</u>	<u>98,108</u>	<u>155,106</u>

7 Other income

	Unrestricted funds	Restricted funds	Total	Unrestricted funds	Restricted funds	Total
	2021	2021	2021	2020	2020	2020
	£	£	£	£	£	£
Rental income	5,746	-	5,746	30,339	-	30,339
Litigation awards	152	31,206	31,358	31,366	-	31,366
Memberships	-	58,475	58,475	-	75,908	75,908
Income from absorption of new entities	-	-	-	28,090	-	28,090
Lottery income	-	-	-	2,023,742	-	2,023,742
Other income	7,647	-	7,647	1,894	-	1,894
	<u>13,545</u>	<u>89,681</u>	<u>103,226</u>	<u>2,115,431</u>	<u>75,908</u>	<u>2,191,339</u>

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

8 Top Donors

Included within income are the following top ten donors:

	2021
	£
Children's Investment Fund Foundation (CIFF)	4,310,072
Grantham Foundation for the Protection of the Environment	3,092,740
Bloomberg Philanthropies	1,424,427
Sequoia Climate Foundation	1,227,750
Postcode Earth Trust	1,000,000
NORAD - Norway's International Climate and Forest Initiative (NICFI)	997,323
European Climate Foundation (ECF)	896,825
FCDO FGMC via Pegasys Ltd	804,872
Rockefeller Brothers Fund	570,320
MacArthur Foundation	539,596
Other donors	10,096,227
	<hr/>
	24,960,152
	<hr/> <hr/>

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

9 Charitable activities:

	Charitable activities without support and governance costs	Allocation of support costs	Allocation of governance costs	Total charitable activities
	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
	2020	2020	2020	2020
	£	£	£	£
Raising Funds	1,029,924	139,264	-	1,169,188
Rule of Law	1,840,193	181,043	11,084	2,032,320
Climate	1,881,144	139,264	9,501	2,029,909
Energy Transition	3,896,647	306,382	20,584	4,223,613
Pollution & Health	2,298,898	194,970	12,667	2,506,535
Forests	1,966,758	139,264	8,709	2,114,731
Oceans	1,220,192	139,264	7,917	1,367,373
Wildlife	1,244,666	153,191	8,709	1,406,566
	15,378,422	1,392,642	79,171	16,850,235

10 Auditor's remuneration

Fees payable to the charity's auditor and associates:	2021	2020
	£	£
Audit of the charity's annual accounts	33,600	21,240
Non-audit services		
Audit-related assurance services	-	7,920
Other assurance services	-	6,375
Total non-audit fees	-	14,295

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

11 Trustees

None of the trustees (or any persons connected with them) received any remuneration during the year. During the year £nil (2020: £174) of expenses were reimbursed to trustees.

12 Employees

Number of employees

The average monthly number of employees during the year was:

	2021 Number	2020 Number
Raising Funds	28	19
Charitable Activities		
Rule of Law	18	22
Climate	31	18
Energy	40	41
Health	24	25
Forests	22	16
Oceans	15	16
Wildlife	17	17
Support	28	25
Governance	-	1
	<u>223</u>	<u>200</u>

Employment costs

	2021 £	2020 £
Wages and salaries	10,748,767	9,044,080
Social security costs	650,853	614,117
Other pension costs	318,738	292,744
Other employment related costs and temps	461,107	572,812
Holiday pay accrual	281,461	325,651
	<u>12,460,926</u>	<u>10,849,404</u>

During the year no termination or redundancy payments in accordance with the charity's accounting policy were made (2020: £211,277 to 4 employees).

Due to the global pandemic the charity changed its policy on the number of holiday days that employees could carry forward to the next year. This increased the holiday pay accrual to a material amount in 2020 and therefore the cumulative position was accrued and has continued to be provided for in 2021.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

12 Employees

(Continued)

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

	2021 Number	2020 Number
£60,000 - £70,000	10	11
£70,001 - £80,000	5	2
£80,001 - £90,000	7	2
£90,001 - £100,000	1	2
£100,001 - £110,000	-	1
£110,001 - £120,000	1	-
£120,001 - £130,001	2	3
£140,001 - £150,000	-	1
£210,001 - £220,000	-	1
£240,001 - £250,000	1	-

Pension contributions for employees whose annual remuneration was £60,000 or more amounted to £79,218 (2020: £69,496)

Remuneration of key management personnel

The key management personnel of ClientEarth is comprised of the Executive Team: CEO, Deputy CEO and CFO. The remuneration of key management personnel is as follows:

	2021 £	2020 £
Salary	455,608	394,748
Employers national insurance	59,320	21,758
Pension contributions	16,792	9,655
	<u>531,720</u>	<u>426,161</u>

13 Intangible fixed assets

	Software £
Cost	
At 1 January 2021 and 31 December 2021	118,738
Amortisation and impairment	
At 1 January 2021	46,607
Amortisation charged for the year	23,746
At 31 December 2021	<u>70,353</u>
Carrying amount	
At 31 December 2021	<u>48,385</u>
At 31 December 2020	<u>72,131</u>

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

14 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings & equipment	Computers	Total
	£	£	£	£
Cost				
At 1 January 2021	-	65,405	384,045	449,450
Additions	764,679	35,879	24,917	825,475
Disposals	-	-	(2,080)	(2,080)
At 31 December 2021	764,679	101,284	406,882	1,272,845
Depreciation and impairment				
At 1 January 2021	-	32,646	163,007	195,653
Depreciation charged in the year	68,100	17,118	78,605	163,823
Eliminated in respect of disposals	-	-	(139)	(139)
At 31 December 2021	68,100	49,764	241,473	359,337
Carrying amount				
At 31 December 2021	696,579	51,520	165,409	913,508
At 31 December 2020	-	32,759	221,038	253,797

15 Fixed asset investments

	Investments £
Cost or valuation	
At 1 January 2021	12,756,349
Additions	3,192,753
Net gains/losses	603,214
Disposals	(3,013,773)
At 31 December 2021	13,538,543
Carrying amount	
At 31 December 2021	13,538,543
At 31 December 2020	12,756,349

The investment portfolio is managed by Sarasin & Partners LLP. The investments are stated at market value as at the year end.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

16 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
GROUP		
Other debtors	341,262	418,241
Prepayments and accrued income	6,987,771	3,449,948
	<u>7,329,033</u>	<u>3,868,189</u>
PARENT CHARITY		
Other debtors	245,012	214,476
Prepayments and accrued income	6,762,199	3,526,131
	<u>7,007,211</u>	<u>3,740,607</u>

17 Other creditors falling due within one year

	2021	2020
	£	£
GROUP		
Other creditors	884,612	453,393
Accruals and deferred income	764,205	502,765
Other taxation and social security	553,893	206,766
	<u>2,202,710</u>	<u>1,162,924</u>
PARENT CHARITY		
Other creditors	1,147,519	809,774
Accruals and deferred income	365,196	363,526
Other taxation & social security	305,800	46,770
	<u>1,818,515</u>	<u>1,220,070</u>

18 Provisions

	2021	2020
	£	£
VAT provisions	1,443,000	-

ClientEarth registered for UK VAT on 16 September 2021. It has since transpired that the charity should have been registered sooner due to the impact of reverse charges. Work is ongoing to investigate the full liability and a provision has been recognised in these financial statements based on our initial calculations.

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) *FOR THE YEAR ENDED 31 DECEMBER 2021*

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 £318,738 (2020: £292,744).

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 and Parent	Movement in funds				Balance at 31/12/21 £
	Balance at 1/1/2021 £	Income £	Expenditure £	Reclassification £	
Rule of Law					
Children's Investment Fund Foundation	270,249	(75,182)	(195,067)		-
Grantham Foundation	750,227	1,456,815	(587,582)		1,619,460
Bloomberg Philanthropies	-	151,863	(67,495)		84,368
Rockefeller Fund	-	145,436	(145,436)		-
MacArthur Foundation	14,681	539,596	(190,382)		363,895
European Union via GOPA	2,038	128,211	(130,249)		-
UK Partnering for Accelerated Climate Transitions	-	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
Other restricted funds	691,564	635,021	(810,386)	(34,831)	481,368
Climate and the Paris agreement					
Children's Investment Fund Foundation	203,649	2,183,974	(1,497,461)	402,177	1,292,339
Grantham Foundation	750,227	1,456,815	(429,007)		1,778,035
Other restricted funds	63,952	453,768	(245,396)		272,324
Energy Transition					
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
Horizon	(8,307)	24,609	(16,302)		-
Other restricted funds	243,999	391,492	(446,834)		188,657
Pollution and Health					
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 2021

20 Restricted funds

(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					
Norwegian Agency for Development Cooperation	-	997,323	(370,288)		627,035
FCDO – FGMC via Pegasys Ltd	-	804,872	(573,599)		231,273
UK Department for International Development	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					
Children's Investment Fund Foundation	-	-	(7,969)		(7,969)
Rockefeller Fund	-	424,885	(335,561)		89,324
Other restricted funds	250,842	831,046	(868,280)		213,608
Wildlife					
Grantham Foundation	63,753	179,109	(179,601)		63,261
Other restricted funds	558,358	1,050,783	(980,012)		629,129
Strategic Climate Litigation (redistributed across Climate, Energy and Pollution and Health)					
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)		-
PPL 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)					
Children's Investment Fund Foundation	-	168,403	(85,039)		83,364
EU Life+	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 2021

20 Restricted funds comparative figures

Group and Parent

	Balance at 1/1/2020	Movement in funds		Balance at 31/12/20
		Income	Expenditure	
	£	£	£	£
Rule of Law				
Children's Investment Fund Foundation	136,718	624,162	(490,631)	270,249
Grantham Foundation	-	750,227	-	750,227
European Commission DG Environment (LIFE programme)	(176,802)	175,760	1,042	-
European Union via GOPA	11,185	111,620	(120,767)	2,038
UN Sustainable Development Solutions Network Association	-	19,147	(28,129)	(8,982)
Other restricted funds	334,972	1,178,281	(807,008)	706,245
Climate and the Paris agreement				
Children's Investment Fund Foundation	205,404	551,917	(553,672)	203,649
Grantham Foundation	-	750,227	-	750,227
Other restricted funds	78,858	248,480	(263,386)	63,952
Energy Transition				
Children's Investment Fund Foundation	238,843	457,822	(480,300)	216,365
Bloomberg Philanthropies	(11,208)	320,981	(331,708)	(21,935)
Sequoia Climate Fund	-	579,482	-	579,482
European Commission	60,693	25,893	(94,893)	(8,307)
Tilia Foundation	-	139,665	(139,665)	-
European Climate Foundation	(35,867)	487,784	(378,895)	73,022
German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	(22)	1,815	(1,793)	-
Other restricted funds	15,000	471,670	(242,671)	243,999
Sub total	857,774	6,894,933	(3,932,476)	3,820,231

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

20 Restricted funds comparative figures

(Continued)

	Balance at 1/1/2020	Income Expenditure		Balance at 31/12/20
	£	£	£	£
Brought forward from previous page	857,774	6,894,933	(3,932,476)	3,820,231
Pollution and Heath				
Children's Investment Fund Foundation	114,578	294,383	(305,895)	103,066
Other restricted funds	385,942	409,129	(652,501)	142,570
Forests				
UK Department for International Development	372,812	1,078,401	(1,215,753)	235,460
EU Directorate-General for Migration and Home Affairs	(1,332)	20,843	(13,051)	6,460
Tilia Foundation	139,702	365,361	(301,161)	203,902
European Forest Institute	(6,627)	63,746	(54,670)	2,449
Other restricted funds	18,320	70,708	(89,028)	-
Oceans				
Other restricted funds	277,863	958,390	(985,411)	250,842
Wildlife				
Grantham Foundation	125,067	187,557	(248,871)	63,753
Other restricted funds	504,516	859,705	(805,863)	558,358
Strategic Climate Litigation (redistributed across Climate, Energy and Pollution and Health)				
Children's Investment Fund Foundation	1,935,347	3,155,937	(3,014,977)	2,076,307
Bloomberg Philanthropies	40,853	394,655	(421,273)	14,235
Other restricted funds	209,474	-	17,901	227,375
Restricted core grants (redistributed across all charitable activities above)				
EU Life+	-	216,438	(211,311)	5,127
Other restricted funds	189,248	243,842	551	433,641
Total	5,163,537	15,214,028	(12,233,789)	8,143,776

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

21 Designated funds

Gilmour-Samson gift

During the year part of the previously designated Gilmour-Samson gift has been spent on initiatives including expanding decarbonisation work in Asia, using international human rights law to defend East African communities, working with NGOs, universities and public bodies in Europe to clamp down on greenwashing and misinformation; and to support organisational strengthening. The intention is to use the remaining funds over the period to December 2026 for similar purposes.

Lottery income

During the year part of the previously designated lottery income funds have been spent on supporting ClientEarth to drive organisational development and support work tackling the most pressing environmental challenges including supporting the transition to clean and sustainable energy systems in Europe and Asia, securing an exemplary framework for UK environmental law and governance and strengthening laws which protect marine ecosystems and wildlife. The final balance on this fund has been set aside for an iconic case launched in March 2022.

Artists for ClientEarth

At the end of the 2021 reporting period, trustees voluntarily designated unrestricted income raised from a series of 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.

The remaining transfers in the year relate to the reclassification of investment income and gains in 2020 from designated to unrestricted funds.

	Balance at	Income	Movement in funds			Balance at	Transfers	Balance at
	1 January 2020	£	Expenditure	Transfers	Investments gains/losses	31 December 2020	£	31 December 2021
	£	£	£	£	£	£	£	£
Gilmour-Samson gift - targeted projects	12,171,179	98,108	(1,986,522)	-	1,221,976	11,504,741	(923,349)	9,261,308
Lottery income - targeted projects	-	-	-	2,023,742	-	2,023,742	(1,523,742)	500,000
Artists for ClientEarth - targeted projects	-	-	-	-	-	-	-	3,065,981
	12,171,179	98,108	(1,986,522)	2,023,742	1,221,976	13,528,483	(2,447,091)	12,827,289

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

22 Analysis of net assets between funds	Unrestricted funds		Designated funds		Restricted funds		Total		Unrestricted funds		Designated funds		Restricted funds		Total	
	2021	£	2021	£	2021	£	2021	£	2020	£	2020	£	2020	£	2020	£
Fund balances at 31 December 2021 are represented by:																
Intangible fixed assets	48,385		-		-		48,385		72,131		-		-		72,131	
Tangible assets	913,508		-		-		913,508		253,797		-		-		253,797	
Investments	2,142,559		11,395,984		-		13,538,543		-		12,756,349		-		12,756,349	
Current assets/(liabilities)	5,671,440		1,431,305		13,210,008		20,312,753		4,046,538		772,134		8,143,776		12,962,448	
Provisions	(1,443,000)		-		-		(1,443,000)		-		-		-		-	
	7,332,892		12,827,289		13,210,008		33,370,189		4,372,466		13,528,483		8,143,776		26,044,725	

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

23 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:

	2021 £	2020 £
Within one year	438,819	353,237
Between two and five years	2,101,083	460,602
In over five years	-	31,609
	<u>2,539,902</u>	<u>845,448</u>

24 Related party transactions

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

Organisation	Related Trustee	2021 £	2020 £
Children's Investment Fund Foundation (CIFF)	Sonia Medina	4,310,072	5,084,221
The Ashden Trust	Sarah Butler-Sloss	120,834	75,000
The J. Van Mars Foundation	Brian Eno	250,000	250,000
The McIntosh Foundation	Winsome Dunn McIntosh	7,165	-
The Martin Smith Foundation	Sir Martin Smith	-	15,000
The Prospect Hill Foundation	Frances Beinecke	-	7,633
		<u>4,688,071</u>	<u>5,431,854</u>

During the year the charity received donations totalling £184,246 (2020 - £303,708) 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

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

24 Related party transactions

(Continued)

During the year the charity made a donation of €20,000 (2020: €nil) to ClientEarth – ANWÄLTE DER ERDE.

During the year a sub-grant of \$125,000 (2020: \$nil) was given to ClientEarth USA Inc.

During the year an amount of \$10,000 (2020: \$nil) was paid to Martin Goodman (husband of the CEO) for translation services.

25 Associates

Details of the charity's associates at 31 December 2021 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

26 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 2021 are as follows:

Name of undertaking	Registered office	Nature of business	% Held
Client Earth France	86, boulevard Raspail, 75006 Paris, France	Dormant	100.00
ClientEarth AISBL	1050 Bruxelles, Rue du Trone 60, Belgium	Charity	100.00
ClientEarth gmbH	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	Dormant	100.00

The results of the non dormant subsidiaries are as follows:

Name of undertaking	External income	Funding from head office	Expenditure	Surplus/Deficit	Reserves
ClientEarth AISBL	117,112	3,425,779	(3,870,504)	(327,613)	39,100
ClientEarth GmbH	472,382	451,435	(732,277)	191,540	732,192
ClientEarth Poland	692	1,190,575	(1,140,115)	51,152	109,794
ClientEarth ASBL	-	166,025	(120,606)	45,419	30,343

CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

26 Subsidiaries

(Continued)

Comparatives for 2020

Name of undertaking	External income	Funding from head office	Expenditure	Surplus/Deficit	Reserves
ClientEarth AISBL	48,457	2,342,952	(2,801,318)	(409,909)	366,713
ClientEarth GmbH	707,042	10,992	(469,534)	248,500	540,652
ClientEarth Poland	1,890	634,210	(780,902)	(144,802)	58,641
ClientEarth ASBL	28,090	86,836	(130,003)	(15,077)	(15,077)

27 Cash generated from operations

2021

2020

£

£

Surplus for the year	7,325,464	5,162,448
Adjustments for:		
Investment income recognised in statement of financial activities	(191,209)	(155,106)
Fair value gains and losses on investments	(640,405)	(1,221,976)
Foreign exchange gains and losses on investments	-	510,316
Depreciation and impairment of tangible fixed assets	187,570	93,782
Movements in working capital:		
(Increase) in debtors	(3,460,844)	(2,134,877)
Increase in creditors	1,039,786	740,620
Increase in provisions	1,443,000	-
Cash generated from operations	5,703,362	2,995,207