CLIENTEARTH

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016
CLIENTEARTH

LEGAL AND ADMINISTRATIVE INFORMATION

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H Covington
G Stratenwerth (Appointed 22 March 2016)
F Beinecke
S Butler-Sloss
B Eno
D Greenberg (Appointed 14 September 2016)
S Hockman
P Joubert
M Robert
F Serfaty
Sir Martin Smith (Appointed 22 March 2016)
The Honorable E Young

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COMPANY LIMITED BY GUARANTEE
TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016. 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).

Objectives and activities

The charity’s objects are:

- To promote and encourage the enhancement, restoration, conservation and protection of the environment, including the protection of human health, for the public benefit;

- 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 relieve poverty through the provision of legal services to those who cannot otherwise afford them; and

- To promote, undertake and commission research into the law, practice and administration of justice in connection with the environment and matters relating thereto, including the impact, direct or indirect, of any human activity on the environment and to disseminate the useful results of such research.

We aim to achieve these goals through advocacy, mobilising support and litigation consistent with our charitable objects through work divided into six programmatic areas:

Biodiversity
Climate and Forests
Climate and Energy
Strategic Litigation
Environmental Justice
China

We are a group of lawyers and experts working outside of the traditional client relationship by our charitable setting. We work in the public interest so that nature is protected. We defend the interests of nature and the right of all people to a healthy environment.

To achieve ClientEarth’s charitable objects, we use science, law, politics and economics to identify the most urgent problems and find ways we can contribute to solving them. We work at all stages in the lifecycle of the law. We help craft good laws and policies. We work with companies, governments, civil society and stakeholders to implement the law. We ensure the law is upheld and go to court when it needs to be enforced. We educate and help others to understand and use the law to protect the environment.

Our comprehensive approach, working at every stage in the lifecycle of the law, sets us apart in Europe. It allows us to facilitate profound systemic change.

Our objectives for 2016 were:

- Biodiversity: To ensure the strongest possible interpretation and implementation of EU legislation that protects biodiversity on land and at sea across the EU, with a focus on ‘on the ground’ projects in the UK and Poland following our 2015 scoping exercise to identify legal tools to tackle other major threats to wildlife; to ensure the strongest interpretation and implementation of fisheries legislation, including the Common Fisheries Policy and the fisheries control legislation; to start working for an improved regulatory framework on aquaculture; to ensure that the implementation of existing laws on chemicals lead to
substitution of hazardous chemicals with safer technologies; and to monitor and build awareness of the Sustainable Seafood Coalition’s voluntary codes and extend the Coalition’s membership.

- Climate and Forests: To use the law as a tool to strengthen forest governance systems and tackle drivers of deforestation in the EU and internationally.

- Climate and Energy: To use the rule of law to facilitate Europe’s transition from fossil fuels and to enable efficient and sustainable energy systems by ensuring effective implementation and enforcement of existing EU climate and energy laws and supporting the EU’s efforts to work towards a cleaner energy future.

- Strategic Litigation: To use litigation and similar legal interventions to work towards improving air quality and achieving a sustainable and low carbon energy system across Europe and to support the development of sustainable companies and sustainable finance in order to work towards achieving net zero emission from companies by 2050.

- Environmental Justice: To scrutinise the actions of the EU institutions to ensure the full realisation of rights to access information, public participation and access to the courts in environmental matters; to ensure that EU trade policy does not adversely affect environmental protection.

- China: To strengthen environmental governance in China through stronger and better implemented laws and regulations; a more expert and robust environmental judiciary (including public prosecutors); and an enabling environment for public supervision.

Each of our programme areas made important contributions to their objectives during 2016. Our strategies for achieving our objectives and our achievements during 2016 are detailed in the Achievements and Performance section of this report.

Public benefit

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

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

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

Biodiversity

The biodiversity programme's overarching objective is to defend the interests of nature and the right of all people to a healthy natural environment through the following outputs and impacts:

- Working towards sustainable fisheries management
- Defending species and habitats and ensuring sustainable land use
- Responsible seafood sourcing in the UK and beyond
- An improved regulatory framework on aquaculture
- Substituting hazardous chemicals with safer technologies

Wildlife conservation

The team continues to be recognised for its legal expertise on the Habitats Directive. In 2016, we worked both on specific, strategically chosen cases in Member States and at a systemic level to ensure that the law and governance framework remains able to provide robust protection to wildlife and habitats.

As tools that we rely on and use in our own work, it was important to defend the EU's Birds and Habitats Directives from being weakened in the drive for better regulation. We were delighted that our efforts in collaboration with NGOs across Europe, through public awareness-raising and the Nature Alert campaign over the last two years, resulted in a declaration in December 2016 by the European Commission that they are fit for purpose. The European Commission announced it would uphold the Directives and develop an Action Plan to tackle some of the implementation challenges that had been identified.

Our flagship wildlife project in 2016 was stopping destructive activities in Białowieża Forest in Poland. This is Europe's largest remaining primeval forest and is home to 150 protected species, including bison, the three-toed woodpecker and lynx. It is a designated UNESCO World Heritage Site and an EU Natura 2000 site. However, currently it is under threat from the Polish government which in March 2016, ignoring law and public outrage, authorised a huge increase in logging.

In April 2016 a complaint to the European Commission, written by ClientEarth, was a stimulus for the European Commission to begin infringement proceedings to stop the huge increase in logging. We showed that the logging approval breached the Habitats Directive. Under this, the government was required to assess how increased logging would affect this unique natural site, which it did not do. This complaint could result in the Polish government being taken to the European Court of Justice and incurring hefty fines, if it does not reconsider. Through engaging in this matter we have significantly raised the profile of ClientEarth in Poland as the case has received a lot of positive public attention.

The decision to increase logging in Białowieża has become an internationally recognised problem. We have worked with other NGOs to raise awareness among various stakeholders outside Poland of the ecological damage that the forest is facing and the illegality of the decision to increase logging. Strong international reactions have brought further pressure on the Polish Government to rethink their plans and resulted in very limited implementation of the logging decision in 2016.

Additional capacity in our Warsaw based team has allowed us to tackle more issues relating to conservation legislation in Poland. For example, we have begun to tackle the lack of appropriate planning and excessive shooting of species like moose and deer - one of the reasons why wolf and lynx populations in Poland are not recovering more quickly. The current revision to the Hunting Law provides an opportunity to rectify this and ClientEarth is working with parliamentarians to pass the necessary amendment to the law.
During 2016, we continued to develop our work on stopping vulnerable protected areas from being destroyed by damaging fishing gear. The EU Habitats Directive is implemented particularly badly in offshore marine protected areas (MPAs) (those beyond 12 nautical miles from the coast) where the law obliges a lengthy and complicated process of agreeing the measures with other Member States – who will each be influenced by their own fleets, which want the minimum interference. In order to reach agreement, the Member States may compromise on weak measures that are not in line with the law.

ClientEarth has been at the forefront of scrutinising the UK Government’s management proposals for offshore sites, both through informal meetings and consultations with the Government and other stakeholders. We have used these opportunities to underline our interpretation of the law and the level of protection that is required. The UK’s proposals for the management of fishing in offshore MPAs have so far withstood pressure from UK industry representatives and other Member States. For example, management measures proposed for protected areas in the Southern North Sea have remained robust in the face of fishing industry pressure to weaken them.

We have also made significant progress in moving towards implementation of management measures in Welsh waters. ClientEarth has worked with the Marine Conservation Society and Whale and Dolphin Conservation to secure a commitment from the Welsh Government to undertake impact assessments in relation to the most damaging fishing activities, with an express acknowledgment that this will lead to the implementation of management measures where the assessments reveal that these are needed.

In relation to damaging fishing in inshore MPAs, our research suggests that most other Member States do not actively manage this problem. Before ClientEarth and Marine Conservation Society began their legal challenge that led to a change of practice, England was in the same situation. Building on the precedents and successes secured in English waters, we are facilitating campaigns for better management of fishing in marine Natura 2000 sites in other Member States. Together with Marine Conservation Society and Seas At Risk, we have built a toolkit that will allow national NGOs to replicate the arguments, based on the EU Habitats Directive. We presented this toolkit at a workshop in September 2016, attended by NGOs from eight Member States. Conversations are ongoing with a number of NGOs as they consider how to take forward a campaign in their national context.

A key focus of our UK work was advocacy to ensure that the UK Government’s 25 Year Environment Plan sets out an ambitious path for the future of conservation. This plan has increased in importance since the Brexit referendum result, as it could now set out whether the protections afforded by strong EU legislation will or will not be maintained. Although publication of the plan has been delayed to 2017, our engagement in the NGO community has helped to hone the sector’s approach to the plan. For example, we have been pushing for strong accountability mechanisms so that the plan cannot be disregarded in future. This is now one of the sector’s top three demands.

Due to a strategic review, we did not start work on agricultural subsidies as anticipated, but instead focused on the opportunities to use transparency laws to elicit more information about the implementation of various aspects of the Common Agricultural Policy (CAP). We presented our ideas to the group of NGOs leading the preparations for the next reform of the CAP who were interested in using this approach.

In the second half of 2016, the team began to develop interventions using new legal tools to tackle additional threats to wildlife. While many of these interventions are still in development, we have already developed some partnerships to ensure that we have the scientific expertise to support our legal approaches. For example, we increased our involvement with a group of UK-based NGOs working to reduce the leaching of industrial chemicals, PCBs, into the environment – these chemicals are seriously affecting the fertility of cetaceans in European waters.

Further, recognising the serious water quality problems in Poland, we analysed the compliance of Polish domestic law with the Nitrates Directive. Poland avoided its effective transposition until it lost
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a case in the CJEU in 2014. We reviewed the draft law containing a detailed programme aimed at reducing nitrates emissions and procured an opinion from scientists specializing in soil fertility. Our analysis has confirmed that the proposed legislation will not contribute significantly to achieving the environmental goal of reducing nitrates pollution related to agricultural activities. We will therefore prepare advocacy interventions to improve the new national legislation that will be debated in 2017.

Sustainable Fisheries Management

The success of the EU’s Common Fisheries Policy (CFP) relies on its law being properly designed and effectively implemented. Our work over the last year has contributed to the environment having a stronger voice in fisheries management and EU fish stocks are continuing to move towards sustainability.

We used the following opportunities for intervention:
- continued phasing in of the obligation to land all catches (the "discard ban")
- the development of a multiannual management plan for fisheries in the North Sea
- the revision of the laws determining the ‘how, where and when’ of fishing activities (the Technical Conservation Measures Framework)
- the EU decisions that lead to the setting of Total Allowable Catches (TACs) of fish stocks in the North East Atlantic
- the evaluation of the EU fisheries Control Regulation
- the revision of the EU Fishing Authorisation Regulation

In addition to our EU-focused advocacy, 2016 was a significant year in terms of our engagement in the Advisory Councils for the North Sea and North Western Waters (the ACs). In particular, we worked to make the Advisory Councils more progressive in their advice on phasing in the landing obligation in 2017, before all quota species become subject to the obligation in 2019. We opposed exemptions from the landing obligation requested in the ACs’ advice where there was not adequate evidence to support them, and provided separate advice to explain the risks and illegality of such exemptions. We have also made sure the European Commission is aware that we know they are bending the rules of what they, as the Guardian of the Treaties, should allow to go in the discard plans. This gives us political capital and arguments that we can use later, for example with the European Parliament.

The reformed CFP introduced new objectives and requirements for fisheries management. One of these is that as a matter of priority, regional multiannual management plans must be developed and implemented to ensure that sustainable management objectives will be met by 2020. The first of these plans, a multiannual plan for the Baltic, came into force in 2016. Knowing this plan would be used as a template for other regional plans, we engaged with the European Commission to influence their next proposal, which will apply to fisheries in the North Sea. We focused on what needed to be different from the agreement on the Baltic multiannual plan to ensure that fisheries in the North Sea would be sustainably managed in line with legal requirements. Although we achieved some of our aims, there was significant resistance in the European Commission from straying too far from what the Council and Parliament had agreed for fisheries in the Baltic.

After the European Commission's North Sea multiannual plan was released in August, we worked with representatives of the Council of Ministers and European Parliament to make them aware of what should be maintained and what should be changed in the proposal to bring it in line with the requirements of the CFP. To do this, we produced a joint position paper with our partner NGOs in Brussels, and used this to meet MEPs, Council permanent representatives and Member State administrations to influence their views. We also provided the lead MEP on the file in the Parliament’s fisheries (PECH) Committee with joint NGO draft amendments, both in English and in her native language (German). We are hopeful that many of our suggestions will be reflected in her report (the draft opinion of the PECH Committee) when it is finalised in March 2017.

We have been laying the groundwork to increase the transparency of TACs and quotas and make the European Commission and the Council of Ministers more accountable for their decisions in
relation to the annual setting of fishing opportunities. This entailed producing detailed briefings and a comprehensive database that explains and documents the extent of the current problems, and highlights the lack of transparency and comparability of TACs and scientific catch advice and the implications of this. We shared these with national and EU-level decision-makers and scientists, and collaborated with other NGOs to help give our messages greater impact. We also used these to engage with the European Commission about transparency and comparability of TACs and scientific advice. They have distributed our documents to the relevant desk officers in DG-MARE, and are using them to create a ‘short list’ of problems related to transparency that they will ask their scientific advisors (ICES; the International Council for the Exploration of the Seas) to start addressing in 2017.

Linked to the issue of transparency in the TAC setting process, we are aiming to cast light on the arguments used by Member States to justify overfishing at their annual meetings where catch limits are set. So that we could assess the Member States’ arguments, we submitted an access to information request for supporting documents used in the negotiations during the 2016 December Council, which set fishing opportunities (TACs and quotas) for most stocks in the North East Atlantic. We requested access to the additional scientific advice and socio-economic justifications for exceeding that advice that was used by Member States during this meeting. We will use the results of this request and further access to information requests in 2017 to challenge Member States when they start discussing the TACs for 2018.

Following our response to the European Commission’s consultation on revising the Technical Conservation Measures Framework (the detailed rules that govern fishing in the EU), we were prepared when the European Commission’s proposal was released to coordinate the development of a joint NGO position paper on the file. With our partner NGOs in Brussels, we used this to influence the positions of the Council and Parliament on this very technical file to make sure the revised framework supports the implementation of the CFP and of EU environmental legislation. We also produced legal briefings to explain some of the more complicated aspects of the proposal, including highlighting the potential dangers and inconsistencies in the political procedures foreseen in it, and calling for the need for more rigorous requirements before ‘innovative gears’ can be adopted and used widely. Working with our partner NGOs, we submitted draft amendments on this file to the lead MEP on the Environment Committee (whose opinion will influence the Fisheries Committee’s report), and the MEP’s draft report is largely (~90%) composed of amendments that the NGO group suggested.

Given the opportunity to influence the EU’s external fishing policy, we worked with the European Parliament to introduce an obligation for EU vessels only to exploit fish stocks outside EU waters if it can be done sustainably. This law will be finalised between the Council of Ministers and European Parliament in 2017, and we will be advocating for this policy coherence to be maintained.

We have also been working to ensure that fishing laws are respected on the water and effectively enforced by Member States. While the European Commission is evaluating the EU’s current fisheries control law (the Control Regulation), we produced four cases studies looking at the system of monitoring, control and enforcement in England, France, the Republic of Ireland and Poland. If the Control Regulation is opened for a revision, this will give us a good basis to argue for improved legal requirements. If it is not opened, we will work with these Member States and the European Commission to use this law more effectively.

In terms of fisheries management, the result of the UK’s referendum on EU membership could offer both opportunities and risks for the sustainability of stocks in UK waters, and stocks shared between the UK and EU. We have been engaging with the UK government, in collaboration with UK NGOs, to make sure the positive developments of the last ten years of fisheries management are not lost.

Sustainable Seafood

We continue to act as secretariat for the Sustainable Seafood Coalition (SSC), and push for greater commitments from seafood businesses. We commissioned an independent consultant to review how well SSC members are aligning with the two SSC codes of conduct. The consultant selected up to
fives products and assessed whether the business member was responsibly sourcing them in line with the SSC sourcing code, and correctly making environmental claims in line with the SSC labelling code. She also reviewed three non-members for comparison. The draft results were very positive and the comparison showed there is value in ensuring the rest of the seafood supply chain in the UK meets these minimum standards. The report will be published in 2017.

2016 was the first year in which membership fees were introduced, and we aimed to expand membership to help share expectations of responsible seafood sourcing, as well as generate a sustainable income for this programme. Whilst the task of expanding our membership was initially challenging, we found asking current members to provide a connection was very useful. Greater business participation is key both to the continued success of the SSC and to leveraging businesses to invest in improving practices in the fisheries and farms from which they buy. This will ensure continuous improvements towards sustainability and support for the vision of a healthy marine environment.

This year, we used the collaborative model of the SSC to scope the potential for replication in other jurisdictions. In particular, we worked with members of the Spanish seafood supply chain, as well as relevant Government departments and NGOs, to see if this would be a useful tool in Spain. Additionally, we joined a group of North American NGOs (the Conservation Alliance for Seafood Solutions) to further foster interest in the importance of clear, consistent and unambiguous messaging in relation to seafood. Initial feedback from both the Spanish and North American markets displayed interest in the approach we have used in the UK, and a commitment from each group to engage with us further to find out more. Next year we will continue to work towards greater consistency in seafood messaging in the US, and expect to launch a project with the Spanish seafood supply chain.

After successfully gaining some small funding to work on aquaculture, our main focus was on the newly formed Aquaculture Advisory Council (AAC), which will advise the European Commission on the direction of European aquaculture policy. We have become a founding member of the AAC. This means that we will be able to participate in AAC meetings over the next year, and advocate for greater environmental sustainability.

**Toxic chemicals**

Our health and our environment are in danger from widespread use of toxic chemicals. Some, such as endocrine disruptors, are causing irreversible damage. To stop this, we have continued working to ensure robust interpretation, implementation and enforcement of EU chemicals legislation, including on pesticides and cosmetics.

In 2016, we investigated the legality of the European Commission’s proposal of June 2016 of criteria for the identification of Endocrine Disrupting Chemicals (EDCs). We published a legal study setting out why such a proposal is not compatible with existing EU laws on pesticides and chemicals. We called on Member States to reject the proposal on two grounds: on the one hand, it would need an unprecedented level of proof to prove that EDCs are harmful, and on the other, the European Commission introduced a derogation that would significantly decrease the level of protection from these chemicals. Following rejection of the proposal by Member States, the European Commission decreased the burden of proof needed to identify EDCs and postponed its proposal for a derogation allowing EDCs to remain on the market.

Under the REACH Authorisation process, we challenged two decisions of the European Commission to allow the continued use of two very hazardous chemicals for high exposure uses. These were lead and chrome based pigments for outdoor paints (that may cause cancer and neurodevelopmental damage), and DEHP, an additive used to soften plastics, which is a well-known EDC that causes infertility in both men and women.

Following our challenge against the lead and chrome pigments authorisation, Sweden used part of our legal arguments to attack the European Commission’s decision directly through the European
Court of Justice. The European Chemicals Agency (ECHA), following our challenge and legal analysis, agreed to a change in the authorisation process. This change will close the loophole that currently allows for authorisation to be accepted despite a lack of justification.

We also secured a victory against Deza, a company that produces hazardous chemicals which tried to impede access to information regarding the risk from the use of a chemical (again, DEHP) under the authorisation process. ClientEarth supported, through a formal intervention, the ECHA decision giving us access to this information. The company then sued ECHA in the Court of Justice and we intervened in the case to support ECHA.

We now have a stronger focus on pesticides. Pesticides are a cause of loss of biodiversity and of many diseases. We are working to ensure that the existing strong legal framework for the authorisation and use of pesticides is maintained and its implementation strengthened. For example, we worked closely with PAN Europe and BeeLife to research non-compliances with the procedures for emergency derogations from the bans on neonicotinoids, pesticides that are known to destroy bee populations. The resulting report was released in February 2017.

Climate and Forests

The Forests programme’s overarching objective is to reduce deforestation and forest degradation in order to address its negative impacts on the climate, secure the rights of local communities, and conserve biodiversity. We do this by working towards the following outcomes:

- Improving forest governance systems: We work to build civil society’s capacity to engage in the implementation and development of laws relating to forestry in five countries in West & Central Africa.
- Strengthening demand-side regulations: Through various means, we advocate toward Member States and private sector in the EU for better enforcement of the EU Timber Regulation (EUTR).
- Addressing the key drivers of deforestation: To fully realise our objective, we are focusing on the regulation of other key drivers of deforestation, namely the conversion of forest land to agriculture and mining.
- Strengthening laws on community forestry: Within a consortium of other NGOs, we are working to improve governance around equitable and sustainable livelihoods for communities in the Congo Basin region.

To better understand our progress across these four areas of work, we have developed a number of indicators. These indicators vary depending on the context, and range from the number of attendees at workshops to the percentage of civil society’s contributions accepted in law reforms. We report against these indicators on a quarterly basis for our two funding streams.

Below is an overview of the Forests programme’s main achievements in 2016, with comments on the significant positive and negative factors impacting our work.

Improving forest governance systems

Stakeholder engagement is vital for stronger national deliberative processes and legal frameworks that are better able to govern the equitable use and management of forests. In 2016, we focused on building the legal capacity of civil society and communities to engage in five focus countries across West & Central Africa.

Côte d’Ivoire

The programme supported Ivorian civil society to draft seven implementing decrees to the Forest Code. If passed, these implementing decrees will pave the way for new, progressive procedures and
measures for independent forest monitoring and local communities' rights to information and participation in decision-making in Côte d'Ivoire.

Gabon

In 2016, the programme supported civil society in Gabon to finalise a technical guide on the procedure for negotiating and implementing benefit sharing agreements. In May 2016, the Gabonese Government adopted the technical guide, which helps communities to share in the benefits generated from commercial activities in their local forests.

Ghana

In Ghana, we contributed to the development of a draft legislative instrument (LI) to address several of the major hurdles to establishing a national certification standard for legal timber (FLEGT licences). The LI was presented to the Multi-Stakeholder Implementation Committee of the VPA, where all stakeholders unanimously agreed to endorse the LI before it was sent to the Attorney General's office. This is an important milestone, as all key stakeholders were consulted during this contentious forest law reform process, and their inputs recognised.

Liberia

The programme provided much-needed legal support to several local communities during their negotiations with logging companies in Liberia. This advice improved the negotiating power of the community, and helped to ensure they receive concrete benefits from the logging company operating on their land. We also developed a Social Agreement Negotiation Guide, which will allow communities to replicate these successes autonomously in the future.

Republic of Congo

In 2016, the programme supported civil society to contribute to draft implementing decrees during the Congolese Forest Code reform. The contributions focused on improving the process for classifying forests, community forestry and the rights of local communities and indigenous peoples.

Advocating for strong demand-side regulations

European Union

In 2016, we continued to share information on EUTR implementation and to advocate for the better enforcement of the EUTR. We wrote and updated several country-specific briefs on key enforcement practices, and drew Competent Authorities' attention to reports coming from our focus countries in West & Central Africa to inform their checks on operators. We also provided training sessions to EU judges and prosecutors on the EUTR & FLEGT Regulation in an effort to increase pan-EU capacity to enforce the regulations and national implementing laws.

Addressing the key drivers of deforestation

Internationally

Forest conversion is increasingly the main driver of deforestation and has increased in West and Central Africa. However, forestry and land tenure laws have not been updated to reflect this reality. In 2016, we focused on producing more information and analysis on the legal frameworks governing forest conversion, and supporting civil society to develop solutions to improve these legal frameworks. As an example, in the Republic of Congo, we used our research on forest conversion to support civil society to contribute to the latest draft of the Forest Code. A clear understanding of the current state of play of the law on conversion, including the areas that were not adequately addressed, made it possible to make practical, substantive contributions.
Supporting community forestry

Congo Basin

In 2016, as part of a consortium of NGOs, we secured funding for work on community forestry for the next three years. Community forestry is one possible way for communities to use their rights and exert control over forest management and land use decision making. As the project only began in September, in 2016 we focused on building a body of evidence of viable options for strengthening community forestry, to guide the efforts of our partners who are working on improving community livelihoods in the Congo Basin region.

Climate and Energy

The strategic goal of the Climate & Energy programme is to facilitate the transition from a fossil fuel based energy system to a sustainable energy system through:

- Supporting the development and implementation of the EU’s climate and energy legislation and an effective governance model for the EU’s energy union
- Ensuring the integration of energy efficiency across EU policy and legislation
- Ensuring that energy market design does not obstruct, and as far as possible supports, the achievement of the EU’s renewable energy goals
- Aligning the EU’s energy markets, competition and State aid laws with sustainable energy goals
- Defending the UK’s Climate Change Act to uphold the integrity and ambition of its climate budgets and targets.

EU Climate and Energy Governance

ClientEarth is working to ensure that the EU has in place a robust legal framework to facilitate and encourage the achievement of its 2030 targets in renewable energy, energy efficiency and greenhouse gas reductions in the context of the Paris Agreement.

By working with, and providing legal analysis to, other NGOs and stakeholder parties, as well as advocating directly with EU institutions, we aim to ensure that the post-2020 legal framework, currently under development:

- Conforms to fundamental principles of good governance;
- Ensures that member state contributions are sufficient to meet EU-level targets;
- Supports delivery of those targets through planning and reporting requirements that ensure Member States meet their commitments;
- Reserves a significant role for public participation at national level;
- Is legally-binding where necessary.

In 2016, we developed a conceptual overview of the climate and energy governance landscape and, with partners, developed thinking on how Energy Union governance can be structured and legally embedded within a legislative framework akin to the “semester” system for economic policy coordination.

We contributed governance and technical expertise to a range of NGO and stakeholder working groups (as well as journalists) and highlighted our findings to the Commission and MEPs to feed into the development of the new Winter Package legislative proposals, specifically for example on the reform of the Renewable Energy Directive. We are also working to enhance the impact of our findings developing a group advocacy strategy for our planning and reporting work.
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Internal Energy Market

In the context of the Internal Energy Market (IEM), our work has sought to ensure that the legal framework provides space for prosumers/consumers and new market actors, creating a level playing field among energy systems which allows the delivery of the EU's 2030 energy goals.

Our analysis has informed work in the field on the connections between IEM design, infrastructure planning at the EU and national level, and security of supply issues; each of which are important for directing the development of energy supply arrangements in the coming years.

Our recommendations on the decision-making authority of the European Agency for the Cooperation of Energy Regulators (ACER) were included in a report by our partner the Regulatory Assistance Project (RAP) arguing for an enhanced role for ACER in monitoring wholesale energy markets. Our subsequent report outlined the possible ways forward in more detail. We have also raised awareness of the substantial risks associated with the creation of a new EU distribution system operator (DSOs), including in the public sphere through an op-ed in Euractiv (published January 2017). And we have provided our legal expertise to a wide range of environmental NGOs, while also advocating directly and through various channels with the Commission, the European Parliament and the European Economic and Social Council.

Our thought leadership in this area is evidenced by the inclusion by the Commission in new legislative proposals of language relating to community energy; something that was absent before we held a series of meetings with DG Energy and DG Justice (many at their request) to outline our thinking. Following the publication of the Commission's draft proposals for the Clean Energy Package, we developed recommendations for a range of improvements on IEM topics and continue to work with others to advocate for these to be reflected in the revised proposals.

Energy Efficiency

We support the development of ambitious and effective energy efficiency targets both at EU and member state levels. A central element of our work in 2016 focused on improving the transposition and implementation of the Energy Efficiency Directive in Member States – to ensure the law functions fully and effectively. In particular, we supported directly NGOs in France and Germany by helping them to understand the possible gaps or weaknesses in those countries' treatment of the Directive. The strong influence of ClientEarth in the discourse in those Member States was evident in the arguments that were subsequently deployed by our partner NGOs.

We also contributed directly to a formal complaint made by two German NGOs (DUH and BUND) on the implementation of Article 7 of the Energy Efficiency Directive.

This work has complemented our efforts to improve the streamlining of Energy Union governance; i.e. improving the coherence and compatibility of legal instruments such as the Energy Efficiency Directive, the Effort Sharing Decision and the Energy Performance in Buildings Directive. We have been active with partners in the energy efficiency space, feeding in to the submission by the Coalition for Energy Savings to a Commission consultation on streamlining planning and reporting, as well as advocating directly with the Commission.

We worked to raise the profile of the "Efficiency First" principle in concert with partner NGOs and think tanks (including through the publication of a number of research papers), to encourage energy efficiency to be better integrated into future EU law-making – specifically in the so-called Clean Energy Package of new regulations. Efficiency First is now mentioned in a number of proposals within the Package.
Markets and State Aid in the Energy Sector

Our state aid work aims to minimise state aid support to coal and other fossil fuels.

In 2016, the Commission carried out a major inquiry into the capacity mechanisms of many Member States (including France, Germany and Spain) to assess their compliance with state aid regulations. ClientEarth engaged with the Commission’s consultation, both in personal meetings with DG Competition and through a formal response. Further, we established a network of partners and stakeholders whom we supported in understanding the issues at stake and in making submissions of their own.

The Commission’s final report is important since it not only reflects the Commission’s view in that sector but influences legislation and policy in other areas of EU law as well. We were able to stress such points to our network partners directly, and also by contributing an article on the state aid inquiry to the Dutch Journal of EU Law (Nederlands Tijdschrift voor Europees Recht).

The significant influence of ClientEarth and its partners in the inquiry is clear from the Commission adopting the following new positions in its final report, each of which is potentially important in encouraging the provision of state aid away from polluting power plants towards more innovative power markets:

- Strategic reserves are now understood to be beneficial under certain circumstances.
- The status of capacity mechanisms as a last reserve tool is now more explicit.
- Demand response is now understood to be of great importance.
- Fossil fuels will, under the EU’s new climate and energy legislative package, have to be phased out from capacity mechanisms.

Separately, ClientEarth co-ordinated a response to the Commission concerning its formal investigation into the French capacity mechanism.

UK

In June 2016, the level of the fifth carbon budget was set in line with the Committee on Climate Change’s recommendation, as we had advocated. Amidst the political uncertainties following the EU referendum, we corresponded with Government to ensure that setting the budget in law was not delayed.

We published a major report on why UK progress towards meeting its emissions targets has been slow, and what changes to the governance of the Act need to be implemented to ensure the Act’s long-term success. Our report alleged that the Government’s failure to plan how to meet future carbon budget constitutes an ongoing breach of the Act. National newspaper coverage of this report has increased public awareness of the need for Government to act with greater commitment towards the Act and has provided the foundation for our subsequent efforts to advocate – directly to Government, as well as widely through the media and with other NGOs – over the content, form and timing of the forthcoming Emissions Reduction Plan, which must set out policy proposals to meet the 2050 target / fifth carbon budget. These efforts will continue in 2017.

We also worked with MPs and other NGOs through the passage of the Energy Act 2016 to raise awareness of the need for the Climate Change Act to count emissions more faithfully and for the implementation of a net zero emissions target, in the light of the Paris Agreement. Both issues were publicly addressed by Ministers in the course of parliamentary scrutiny with commitments made to attend to each more substantively in due course.

In 2017, we will also aim to provide thought leadership on how the ambition of the Paris Agreement can best be incorporated into UK law, while drawing out general principles that can inform the drafting of national legislation in other jurisdictions. We will also seek to defend and support the good functioning of the Act in the context of the UK’s expected departure from the EU.
Poland

Energy

In 2016 the programme was involved in the “More than Energy” campaign in Poland. The campaign aims to engage active citizens in advocacy on the energy market and gathers together over 140 partners including municipalities, as well as 40,000 individuals. Within this scheme we promoted our report on the role and position of energy consumers. One of our main tasks was advocating for favourable legal and financial solutions for energy “prosumers”, i.e. people or entities producing and consuming electricity. We dedicated a chapter of our report on energy consumers to the position of prosumers of energy.

The programme also defended the position of wind energy in Poland. Renewable energy faces a very sceptical political environment and accordingly even minor progress should be marked as a success. Our advocacy on the subject achieved a high impact in the media, including articles in major newspapers, and contributed to a visible change in the media narrative around renewable energy in Poland.

ClientEarth also undertook advocacy work in relation to the Polish energy efficiency act (transposing the EU Energy Efficiency Directive). In addition we were involved in the preparation of a substantial report regarding energy consumers in which we analysed and stressed the role of energy efficiency measures, information on energy use, energy services and energy poverty. We also a conference on this report, gathering 70 representatives from NGOs, local governments, academics and think tanks. We also engaged in advocacy work around the “Winter Package”: a set of European Commission-proposed energy Directives, including solutions regarding energy efficiency.

Our report on the integration of the EU emissions trading scheme (ETS) Directive and Article 10c into the Polish legal system was presented among stakeholders, including the Secretary of State in the Ministry of the Environment. Together with our analysis regarding the governmental proposal on leaving the EU-ETS system, the report initiated a debate on the EU-ETS system in Poland.

In the second half of 2016 we engaged in advocacy work around Poland’s proposed capacity mechanism. We produced a detailed legal and (with RAP) economic analysis on the proposed scheme. On this, we were mentioned in over 200 media articles, including in major newspapers, and met opposition MPs to discuss the subject.

We continued to participate in the environmental impact assessment (EIA)/building permit process for the Polnoc power plant and also at Leczna. In Leczna the process has been frozen since 2015. In Polnoc we continued to work with the local community to oppose the new project which would cause significant environmental damage to the Vistula River and contribute to global climate change. We also continued our litigation in relation to GHG emissions for Koźleńce. The Polish Supreme Administrative Court agreed with ClientEarth’s arguments and quashed the Warsaw Administrative Court’s decision to deny ClientEarth standing in the proceedings.

Clean air

2016 was an active year with regards to our clean air work in Poland. Our goals for 2016 included participating in court cases challenging illegal collections of local fees from tourists in areas failing to meet air quality standards, work on challenging inadequate air quality protection plans, work on solid fuel bans (Krakow and the Małopolska region) and informing the wider public about air quality. The main highlights for 2016 were:

- A solid fuel ban was adopted in the city of Krakow in January 2016. This bans the burning of any kind of solid fuels (coal, wood and others) in household heating systems. We successfully defended the ban in court with the Regional Administrative Court in Krakow, which ruled the law to be legal on 27 September 2016. This legal action gained wide media
attention (more than 80 media appearances) and led to other local-governments following the example of Krakow.

- We commenced legal action against the municipality for illegally charging a local fee to tourists, despite its failure to meet air quality standards. Due to the importance of the cases, the ombudsman has decided to join it. Unfortunately the case may be delayed on procedural grounds for some time but it has nevertheless been an opportunity to raise the profile of smog in the media, and we reached the major nation-wide media (TV, newspapers, radio and the Internet).
- We have requested the environmental inspectorate in Krakow to undertake legal action against such municipalities in respect of inadequate air quality protection plans. We have researched the legal and technical inadequacies of the air quality protection plan in Silesia (Śląskie), one of the most polluted provinces in Poland.

In total we had almost 170 media pieces on air quality throughout 2016. We have also commented on an ad-hoc basis on proposals of the government on air quality action or the introduction of solid fuel use limitations.

Strategic Litigation

Clean Air

The overarching goal of our Clean Air work is to improve air quality across Europe. We aim to do this through interventions addressing the lack of enforcement of relevant air quality standards, and lack of ambition in taking measures to achieve levels safe for human health. The project ensures all activities contribute toward the following objectives/outcomes:

- Air quality is viewed and treated as a central public policy, health and political concern
- Legislation and Directives related to air quality are ambitious and enforceable
- Transport, heating and other major sources of pollution are rapidly decarbonised
- Demand for fossil fuels is reduced
- Climate and air quality policy is coherent and joined up

Following a landmark judgment from the UK Supreme Court in April 2015, the Clean Air project continued, in 2016, to put pressure on the UK government to meet legal limits for nitrogen dioxide. The project also focused significant effort rolling out its successful strategy for clean air litigation across Europe.

UK

We filed an application for judicial review of the UK government's revised air quality plans published in December 2015, with a view to making them suitable to achieve the required air pollution limits within the shortest time possible. Taking into account risks, we built a robust factual case with strong expert evidence. The hearing on the case at the UK High Court was fast tracked to October 2016.

The High Court ruled in favour of ClientEarth, declaring that the UK Government's 2015 air quality plan was unlawful and ordering the Government to prepare an improved plan. The judgment consequently provided a focal point for our wider communications and campaigning efforts, which has generated extensive media coverage. It has also increased understanding and support for action on air pollution among the public, stakeholders and decision makers and provided opportunities for continued advocacy by ourselves and other stakeholders.

New air quality plans will be published during 2017 and we will carefully consider their content. We are also leading calls for a new UK Clean Air Act to tackle the sources of modern air pollution, and accelerate the shift to zero emissions transport as well as to improve and strengthen existing
legislation, enshrining the right to breathe clean air into law, so the UK has the most ambitious air quality legislation in Europe;

Europe

Our EU advocacy work on the NEC Directive reached its conclusion in 2016 with an intense period of negotiation between the three EU institutions culminating in a political agreement between the Council and Parliament at the end of June.

The NEC Directive was formally adopted on 14 December. This was largely a "rubber stamping" exercise after political agreement had been reached earlier in the year. However, there had been some concerns within the Commission that it was not certain in light of ongoing objections by some Member States. The formal adoption of the Directive also means that we now have clarity over the specific deadlines for transposition and preparation of national programmes by Member States. The final deal is considerably weaker than the original Commission proposal and the Parliament's first reading position. However, it marks a significant improvement on the Council's position from December 2015.

We also continued to develop our EU-wide litigation throughout 2016, commissioning and receiving legal opinions for potential litigation and establishing and building relationships with local partners directly contributing toward our objective of 'progress towards improved air quality plans in European cities resulting from court decisions'. The key national jurisdictions on which the Clean Air project focused in 2016 were Germany, the Czech Republic, Belgium and Italy.

Germany: 2016 brought mixed results for clean air litigation in Germany. We received an anticipated, yet disappointing, ruling in May, when the Court of Appeal of Hesse upheld an appeal brought by the regional government and annulled an order that Darmstadt and Wiesbaden re-write their air quality plans. The appeal rested on a technical deficiency in the specificity of the prior orders, which will now be rectified at the trial court level. This litigation is ongoing and we hope to achieve a positive outcome in 2017.

We then saw victories in the Munich and Düsseldorf cases, when the administrative court found in our favour, ordering the update of air quality plans to include assessments of the need for (and potential implementation of) urban diesel bans. The Bavarian authorities have appealed against the enforcement of the Munich judgement and a decision on that appeal is expected in early 2017.

In November 2016, the decision in the Düsseldorf case was appealed by the Federal State of North Rhine-Westphalia directly to the German Federal Administrative Court, the highest administrative court in Germany. This case will be heard by mid-2017 and will be important to our overarching legal strategy in Germany, as the decision of the German Federal Administrative Court will resolve legal issues that will be binding on all the lower German courts currently hearing the other pending clean air cases in Germany.

Czech Republic: In June, the Czech government adopted air quality plans for Prague and Brno. In September, ClientEarth launched legal challenges against them.

Our local partner, Frank Bold, had previously launched a legal challenge against the air quality plan adopted for Ostrava, which was, unfortunately, dismissed in November. The Ostrava court held that, under Czech law, air quality plans need only set out the general framework for measures with no specific details or timelines, in direct contravention of EU law. The Court, therefore, refused to assess the adequacy of the measures contained in the plan. This case is being appealed.

Given this development, we sought to stay ClientEarth's cases in Prague and Brno, while the Ostrava appeal is decided. The Court in Prague agreed to stay our case, but the Court in Brno
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dismissed the challenge on the basis of the Ostrava decision. In 2017, we will focus our efforts on appealing the dismissal of the Brno case and supporting FrankBold’s appeal in Ostrava.

Belgium: In September 2016, ClientEarth, together with five individuals, launched a legal action against the Brussels regional government requiring the preparation of a proper air quality plan containing measures to meet air pollution limits in the shortest time possible. The action also sought the immediate improvement of the air quality monitoring network, which has failed to comply with EU law requiring monitoring in the most polluted areas since 2011. The case is expected to be heard during 2017, with a preliminary issue on monitoring requirements to be heard early in the year.

Italy: On 9 December 2016, we issued a letter before action to the Lombardy Regional Government, asking them to update and improve the inadequate air quality plan adopted in 2013. The government then had 30 days to consider our request. No satisfactory response was received, and ClientEarth prepared a legal challenge to launch before the Regional Administrative Court of Milan in early 2017, seeking the adoption of a new and improved air quality plan to meet air pollution limits in the shortest time possible.

Energy Litigation

The EU Energy & Coal project aims to achieve a sustainable and low carbon energy system across Europe through litigation and legal action to complement our EU policy work, to accelerate progress towards the following outcomes:

- Clean energy solutions are prioritised over carbon-intensive generation
- Consumers have increased choice of secure, clean, affordable energy
- Market distortion in EU energy sector is reduced
- Enforcement of the ‘polluter pays’ principle increases
- Overall GW of coal in EU energy systems is reduced
- Investment in clean energy technologies increases.

The environment strand of the project applies various environmental compliance measures (principally the EU’s Industrial Emissions Directive (IED)) to uphold the ‘pollution prevention’ and ‘polluter pays’ principles that underlie much of EU environmental law. This includes both challenging coal plant permits that fail to meet the legal requirements of the IED, and coal plant operators that fail to comply with their permits and so are operating unlawfully.

The energy markets strand of the project applies competition law (including State aid law) and energy law to combat financial support from public funds to fossil fuels (in particular coal), reduce energy market concentrations and create openings for clean energy market actors.

Energy Transition & Environmental Litigation

The key national jurisdictions on which the energy transition and environment strand focused in 2016 were the United Kingdom, Spain, Bulgaria, and Italy.

At the EU-wide level in 2016, we worked with other NGOs to prevent the BREF (Best Available Techniques Reference Document) proceedings from being derailed and to minimise the impact of corporate lobbying to weaken its standards. Once passed, the BREF will apply to coal plants across Europe from 2020.

United Kingdom: Following a submission by ClientEarth, a committee of the UK Parliament expressed doubts as to whether the UK transitional national plan was lawful and reported the matter to Parliament, evidence of effective use of pre-litigation action to challenge poor administrative decision-making. We submitted a number of access to information requests regarding permit
updates and the compliance of certain coal plants with their IED permit requirements, with a particular focus in compliance with the transitional national plan. Near the end of the year, we prepared (and in early 2017 submitted) our response to the government’s consultation on ending “unabated coal generation” by 2025, arguing for stronger restrictions than those currently proposed, and bringing forward the implementation date to 2023 (at the latest).

Spain: ClientEarth supported and worked with our Spanish partners Instituto Internacional de Derecho y Medio Ambiente (IIDMA) to prepare challenges to certain coal plants in Spain. The first permit challenge is currently pending before the Spanish courts, and concerns the failure of the Soto de Ribera plant’s permit to comply with various requirements of the IED, including a failure to impose the applicable emissions limit thresholds and to take appropriate steps to prevent water pollution, as well as a failure to reflect the IED’s ‘Best Available Techniques’ standards. In addition, a number of challenges have been made in relation to the failure of the relevant authorities to provide sufficient access to information regarding other IED permits as a preparatory step to further litigation in relation to these permits.

We supported IIDMA’s complaint to the European Commission on Spain’s failure to correctly transpose EU law, in particular the ‘Best Available Techniques’ requirement of the IED. With our support, IIDMA prepared (and in early 2017 launched) a legal challenge to the Spanish Transitional National Plan, which covers around 10GW of coal in Spain and the majority of the coal fleet.

Bulgaria: Analysis prepared by our Bulgarian national partners revealed widespread non-compliance with the IED in Bulgaria. We are now supporting our partners in relation to a number of ongoing national legal proceedings concerning certain coal plants. These proceedings include, in particular, challenging the lawfulness of a permit update granted by the authorities on the basis that the revised permit fails to comply with IED requirements. In another case, our partners have intervened to support the authorities following their refusal to grant a permit extension to an operator that had previously operated in breach of its IED permit requirements. Other litigation proceedings are ongoing in relation to refusals to provide access to information. We also prepared and shared with our national partners a toolkit for bringing human rights claims under the European Convention on Human Rights in relation to violation of property rights resulting from lignite mine expansion.

Italy: In Italy, we worked with leading environmental law experts to assess the compliance status of certain coal plants with their environmental obligations, which will form the basis for action in 2017.

Energy Markets litigation

The key national jurisdictions for energy markets in 2016 were Germany, the UK, Spain, Bulgaria, and France.

Germany: We became actively involved in the sale, by Swedish state-owned company Vattenfall, of its German lignite operations (the third largest utility in Germany). In early 2016, ClientEarth provided legal support to campaigners to assist them in efforts to prevent the creation of what would have been the EU’s third biggest coal utility by way of a proposed takeover by Steag, Germany’s fifth largest electricity generator. Prevention of this sale avoided concentration and ‘lock-in’ of German economic and political interest in the continued use of coal, with potential repercussions up to the EU level.

In June, the Swedish government approved the sale of the assets to Czech utility EPH. We advised German organisations on the legal obstacles to and procedures for this transaction and developed a multi-prong strategy to help national NGOs delay and/or halt the deal from going ahead. A legal intervention was launched in Sweden in relation to the denial by the Swedish government of access to documents and information on the deal. The court case has the potential to create important legal precedent for environmental transparency in Sweden. An intergenerational constitutional case
challenging the approval of the sale was filed in Sweden by a group of individuals with support from NGOs and input from ClientEarth in September. ClientEarth continues to explore legal strategies to challenge the market-distorting subsidies secured and contrarian business models employed by EPH and other coal-dominated utility companies in Europe.

**UK:** In early 2016, we advised a group of EU, UK and US biomass and biodiversity groups that opposed the grant of State aid by the UK government for the conversion of a unit of the Drax power plant from coal to biomass. This conversion creates a massive demand for wood pellets imported from the South East of the US, where their production endangers the biodiversity of old-growth forests. We helped the groups to frame their concerns in economic terms to sway the European Commission, which had previously ignored environmental arguments in the context of similar State aid investigations.

**Spain:** We worked closely with local partners IIDMA to scope and prepare complaints to the European Commission related to the unlawful state aid to the lignite mining industry. We also established a programme to monitor Spain’s compliance with conditions placed on approval for State aid to facilitate the managed closure of coal mines.

**Bulgaria:** Together with our national partners, we investigated and assessed misused and unlawful State aid to operators of coal power plants and prepared complaints that we may submit to the European Commission in 2017.

**France:** We submitted comments to the European Commission regarding France’s proposed capacity market, which would have – if adopted as notified – exacerbated the concentration of market power in France’s largely state-owned electricity giant, Électricité de France (EDF). Notably, the Commission approved the mechanism only after France had committed to changes to avoid aggravating EDF’s to market dominance, addressing some of the concerns we had raised.

**Networking & capacity-building**

ClientEarth worked with partners across Europe to create networks of environmental and energy lawyers and campaigners working in the public interest to share knowledge and resources.

**Company & Financial**

The aim of the Company & Financial project is to support the development of sustainable companies and sustainable finance, achieving net zero emissions by 2050. This is seen as achievable through the following impacts:

- Companies and investors increase investment in green technology and infrastructure and decrease investment in fossil fuels;
- Climate risk is fully integrated into company-finance decision making and companies no longer undermine climate change science and policy;
- Company and financial laws as they relate to climate change are stronger and better enforced, providing improved market certainty.

Outputs of the Company & Financial project have largely fallen into four categories in 2016, which include shareholder resolutions, complaints to regulators, directors’ duties, and duties of investment fiduciaries, all feeding into achieving the above outcomes.

**Shareholder resolutions**

Our work on shareholder resolutions has directly contributed toward the project’s projected outcome of ‘more forceful steps taken by investors and companies to actively manage climate change as a
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material financial risk.' This workstream was completed in 2016 with the successful filing of five shareholder resolutions at BP, Shell, Glencore, Rio Tinto, and Anglo-American in the period December 2014 to April 2016.

Complaints to regulators on company reporting and disclosures

The project’s work under this area, and the work to enforce directors’ duties, below, has been undertaken with a view to increasing legal scrutiny of companies’ climate risk disclosures by regulators and investors. Our advocacy work included submitting a public letter to the European Securities and Markets Authority urging it to align with the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) and coordinating an investor consortium to submit a public letter to the Financial Reporting Council (FRC) requesting that it ensures fossil fuel companies address climate-related risks in the newly introduced viability statements in the annual report. The issues we raised in this letter were incorporated into a position paper added to the Principles for Responsible Investment (PRI) clearinghouse website for investor support. In addition, consultation responses were also submitted to the TCFD, DG FISMA on guidelines to accompany the Non-Financial Reporting Directive and the UK government on national implementation of the Non-Financial Reporting Directive. We continue to be actively engaged in the TCFD recommendations and dialogue relating to the need for intersection of these recommendations with national mandatory risk reporting rules.

Our direct interventions have involved submitting regulatory complaints to the FRC in relation to inadequate disclosure in company annual reports of climate-related risks by two oil and gas exploration companies: SOCO International Plc and Cairn Energy PLC. The FRC has not yet concluded its investigation into these complaints, which in our view demonstrates that it is not well-equipped to oversee and enforce the legal framework that governs the reporting of climate-related business risks. Nonetheless, this work has already had a material impact on the understanding of climate risk by the mainstream financial sector. The regulatory complaints received mainstream media coverage (Financial Times) and a number of institutional investors have expressed their support for our regulator-focused strategy by writing letters to the FRC.

Commonwealth Climate and Law Initiative

In 2016, we were joint conveners of a successful series of high-level international symposia d by the Commonwealth Climate and Law Initiative (CCLI), of which ClientEarth is a founder member. These symposiums seek to examine the legal basis for directors to take account of, and disclose, physical climate change risks and societal responses to climate change, under prevailing statutory and common (judge-made) laws. We also spoke at a number of prestigious events including at the Law Society, the law firms Pinsent Masons and Clyde & Co and as a panel member for a Castle Debate. This capacity building work is undertaken with a view to achieving the project's outcome that "climate change is more widely recognised as a material financial risk by investors and companies".

Legal action to clarify and enforce the duties of investment fiduciaries

Since September 2015, ClientEarth, in partnership with ShareAction, has been working with around 100 pension fund members to engage with 12 funds to determine how (if at all) these funds are measuring and managing climate-related financial risk to investment portfolios. This work also furthers the project's first and second projected outcomes that "climate change is more widely recognised as a material financial risk by investors and companies" and "more forceful steps taken by investors to actively manage climate change as a material financial risk".

The 12 funds are comprised of trust-based occupational schemes and Local Government Pension Scheme ("LGPS”). We found that funds from the LGPS (i.e the public service pension scheme for employees of local authorities) were more responsive to member requests for information (in comparison to private sector/trust-based pension schemes), in part because members were able to
submit formal requests for information under the Freedom of Information Act 2000 ("FOIA"). This allowed us to develop a trail of correspondence between members and their funds revealing inadequate/inappropriate exercise of investment duties by administering authorities. A separate FOIA campaign was launched against the LGPS by Community Reinvest and Friends of the Earth, and the responses allowed us to draw the same conclusion regarding the exercise of legal duties.

We used the member correspondence and responses from the FOIA campaign to form the basis of a referral to the Pensions Regulator in relation to all 89 schemes within the LGPS. The LGPS is one of the largest defined benefit (DB) schemes in the world and is the largest DB scheme in England and Wales, with over 11,000 employers, 5.1m members and assets of £217bn. This referral sought to draw the Regulator’s attention to several fundamental misconceptions held by administering authorities with respect to their legal duties vis-a-vis climate risk.

The referral also set out a number of requests to the Regulator, including that it: carry out an investigation of the matters raised in the referral; publish detailed guidance for all pension funds (not just those in the LGPS), dispelling the rampant misconceptions about what pension funds can and should do to properly assess and manage climate risk; engage with the government to prepare a report on the pensions industry under the Adaptation Reporting Power; and issue a public statement highlighting the leaders and laggards.

We have already achieved notable successes in relation to the first and second outcomes described above as a consequence of the legal letters sent by members during 2015 and 2016. For example, 4 funds have undertaken (or committed to undertake) carbon footprints or audits and 2 schemes have made amendments to their investment principles recognising the need for action on climate risk.

Also in 2016, we published a legal opinion from leading pensions barristers, Keith Bryant QC and James Rickards on "The legal duties of pension fund trustees in relation to climate change." In this opinion, the barristers draw the unequivocal conclusion that where climate change risks carry material financial implications for fund performance, trustees must take those risks into account in their investment decisions. This legal opinion has generated significant interest among those in the legal and finance industries, and has strengthened both our engagement work (described above) and our education work (described below).

We also published legal guidelines aimed at achieving the second project outcome, "more forceful steps taken by investors to actively manage climate change as a material financial risk". The guidelines enable trustees to take control of how their shares are voted at companies’ annual general meetings (AGMs). The aim is to prevent another "missing 60%" scenario, where the same asset managers voted in opposite directions on climate resolutions from one company AGM to the next.

**Climate Accountability**

The Climate Accountability project engages human rights, constitutional rights, and tort law principles (among others) to develop legal, scientific, and academic thinking and evidence on the legal liability of greenhouse gas emitters to cease their damaging activities and to compensate for their contribution to the damage caused by climate change. The project also focuses on the implementation and enforceability of the Paris Agreement, including by holding governments accountable for failing to adopt measures sufficient to safeguard their citizens from the worst effects of climate change.

In 2016, the Climate Accountability project cemented its relationships and collaborations with lawyers and academics at all levels, both in the UK and globally, providing expert opinions and disseminating critical thinking on how legal challenges in different jurisdictions can be framed and how obstacles to successful litigation can be overcome. A key piece of work was the amicus curiae
brief we submitted to the Republic of the Philippines Commission on Human Rights national inquiry into the impact of climate change on the human rights of the Filipino People. Our submission drew on the work of both the Company & Financial and Climate Accountability projects and provided the Commission with pragmatic and reasoned legal analysis to support a recommendation that the respondents, a number of multinational oil and gas companies, publish detailed business plans that align with the "well below a 2°C rise" goal in the Paris Agreement.

Environmental Justice

EU Aarhus Centre

The vision of our EU Aarhus Centre work is a society in which all environmental decisions are made and implemented in a manner that is open and allows for the participation of all interested parties.

The programme, based in our Brussels office, seeks to enforce and expand accountability and transparency in the EU and, when the opportunity arises, in other jurisdictions with a view to achieving the following impacts:

- Increase transparency around environmental legislation, policy and politics in the EU institutions, which is a necessary condition for public participation in decision-making on environmental issues. We monitor developments in legislation and decisions at EU level, and identify potential threats to the full realisation of access rights provided by the Aarhus Convention.
- Strengthen the implementation and enforcement of the Aarhus Convention by EU institutions and bodies.
- Increase civil society awareness of the rights and obligations provided by the Aarhus Convention to ensure that the NGO Community legal capacity is developed and strengthened.
- Streamline integration of legal advice on Aarhus related issues into the work of other ClientEarth programmes, particularly Climate and Energy, Strategic Litigation, Biodiversity and Trade and the Environment.

In 2016, ClientEarth made significant progress against these impacts.

Following our complaint in 2008, the Aarhus Convention Compliance Committee finally adopted its draft findings in July 2016 and concluded that the European Union fails to comply with its obligations to provide access to justice to members of the public. It found that neither the EU legislation nor the jurisprudence of the European Courts implements or complies with the obligations arising from the Aarhus Convention. The European Commission submitted its observations on the Committee's findings in October 2016, repeating the same arguments that have already been rejected. ClientEarth sent a strong response to the Commission's observations at the end of 2016, and an update on relevant case law from the European Court of Justice. The conclusions of the Committee represent a major victory for environmental democracy. They constitute a clear recognition of the shortcomings that have historically impaired the EU legal framework on access to justice in environmental matters, which have been pointed out by academics and NGO practitioners, and which we have been working on for years. The Compliance Committee's decision is an opportunity for the EU to redress this.

The Trade Secrets Directive was formally adopted in March 2016, incorporating the important amendments ClientEarth secured on the public's right to access to environmental information and protection for people revealing trade secrets in the public interest. ClientEarth also made a significant contribution to an implementation guide published by Corporate Europe Observatory, aimed at helping national parliaments and NGOs ensure that the public interest is protected when the Directive is transposed into national law.

ClientEarth submitted a complaint to the European Ombudsman, together with NGOs Counterbalance and BankWatch CEE Network, against the European Investment Bank's new
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Transparency Policy (TP). The TP sets out the EIB Group’s approach to transparency and stakeholder engagement. It therefore represents the first port of call for EU citizens wishing to exercise their fundamental right to access the information held by the Bank. However, the new TP continues to allow the Bank to withhold access to environmental information in breach of the Aarhus Convention and its EU implementing legislation. We first submitted a complaint to the EIB’s own Complaint Mechanism, which was rejected as inadmissible. The Ombudsman has decided to open an investigation into ClientEarth’s complaint and has demanded further information from the Bank as a first step.

In February 2016 ClientEarth submitted an appeal to the European Court of Justice against the General Court’s judgment that European Commission impact assessments of new legislation are covered by a presumption of confidentiality. Onno Brouwer, our lawyer in that case, is widely recognised to be one of the most knowledgeable lawyers in the field. Being associated with his experience and reputation will no doubt benefit ClientEarth notably in influencing the perception of the judges and other EU institutions.

As well as continuing to support and assist other civil society groups and organisations on specific issues regarding access to information and justice in environmental matters, ClientEarth has developed a strategy to better integrate the work of the Environmental Democracy Team into our other programmes, notably Strategic Litigation, Biodiversity and Trade and the Environment. Concrete work on this starts in 2017.

The Aarhus Centre continued to raise awareness of environmental justice issues via the EU Aarhus Centre newsletter in five issues of the European Environmental Law Observatory. The newsletter is disseminated to staff of EU institutions, NGOs, lawyers and academics. It not only provides updates on important judgments and legal doctrine in the environmental field but also provides our interpretation and critiques of these decisions, making it a unique and important publication for civil society and the public sector. We also provided training to Members of the European Parliament MEPs, NGOs and public authorities on access rights provided by the Aarhus Convention.

Trade and the Environment

The overarching objective of our Trade work is to green EU trade law and policy. Greening EU trade law and policy means tackling threats which trade poses to the environment and making use of opportunities which trade rules create when it comes to protecting the environment.

Trade instruments such as investor-state dispute settlement (ISDS), regulatory cooperation, and other trade liberalising standards pose a threat to states and societies seeking to protect the environment through regulatory measures that restrict trade. For instance, ISDS enables foreign investors to challenge government measures protecting the environment and regulatory cooperation may slow down and make it more difficult for countries to set their own levels of environmental protection. We aim to raise awareness of the threat to the environment legal trade instruments can pose and use our legal knowledge to defend the environment.

At the same time, trade also brings an opportunity to harness the environmental challenges globalisation poses to the environment. Trade creates economic ties between countries and these ties can be used to realise and enforce environmental commitments. EU trade agreements already contain environmental commitments and mechanisms to monitor them and the EU has measures in place that seek to protect the environment through trade regulation, such as the EU Timber Regulation (EUTR). Our aim is to monitor and expand these commitments as well as strengthening the role of civil society in protecting the environment through trade.

A major part of ClientEarth’s trade work in 2016 evolved around the legality under EU law of investor-state dispute settlement (ISDS) in EU trade agreements. ClientEarth used legal advocacy to raise awareness of the possibility of obtaining a preliminary legal check of the EU – Canada free trade deal, CETA (Comprehensive Economic and Trade Agreement) through a Request for an Opinion of the European Court of Justice. This resulted in a commitment by two Member States to
make such a request. ClientEarth also used the EU's transparency laws to make the EU institutions more transparent and accountable on this important legal issue.

In relation to this transparency work, ClientEarth instigated litigation against the European Commission for its refusal to disclose documents containing information on the legality of ISDS.

In January 2016, ClientEarth made an access to documents request to both the Commission and the Council on documents containing information on the legality of ISDS and ICS under EU law. The Commission and the Council refused full access to all documents falling within the scope of the request and ClientEarth received a number of heavily redacted documents from the Commission's Legal Service. After an administrative appeal ClientEarth lodged an application for annulment before the EU's General Court.

This case (registered under case number T-644/16 ClientEarth v Commission) concerns the Commission's reliance on the 'international relations' exception under EU transparency rules, which require the Commission to withhold access to documents that may undermine the public interest as regards international relations. It is ClientEarth's contention that the Commission cannot rely on the 'international relations' exception for purely legal documents that do not contain any strategic information. By bringing this case, ClientEarth is seeking to set a precedent that will require the EU institutions to be more transparent in the areas relevant for ongoing trade negotiations.

In relation to the Request for an Opinion by two Member States, ClientEarth has actively engaged with various players, including other NGOs, in both countries to raise awareness on the issue of legality and the possibility of obtaining a preliminary legal check with the European Court of Justice. ClientEarth produced, (publicly) debated and discussed, and distributed various reports and academic articles on the issue. This work contributed to the commitment of two Member States to make the Request for an Opinion on the legality of ISDS in CETA under EU law. The issue was also raised in other Member States, the European Parliament and other EU institutions.

ClientEarth also raised awareness on several other environment-related trade issues, in particular in relation to the EU's envisaged free trade agreements with the United States (TTIP) and Canada (CETA). ClientEarth's reports and briefings highlight the shortcomings of environmental chapters in these agreements and provide input on how these agreements can be improved.

Lastly, ClientEarth has provided legal advice to other NGOs working on trade and environmental issues in relation to procedural issues of concluding trade agreements, the contents of those agreements, and various other legal issues that have arisen in the past year. One key aspect of our work on legal advice has been our legal assistance to local Romanian NGOs on an ISDS claim in Romania. Together with CIEL and the ECCHR (European Centre for Constitutional and Human Rights) ClientEarth is assisting Alburnus Maior, a Romanian based NGO in Rosia Montana that represents the interests of its members, and two other Romanian NGOs. These NGOs oppose the mining development as proposed by Gabriel Resources and the Romanian Government in a joint venture called Rosia Montana Gold Corporation (RMGC). Gabriel Resources has brought an ISDS claim against the Romanian government for allegedly breaching its investor rights under the Canada-Romania and United Kingdom - Romania Bilateral Investment Treaties. Our collective effort already resulted in increased transparency by the ISDS tribunal, facilitating Alburnus Maior's future amicus curiae submission in the case.

China

The Chinese government is currently revamping its system of environmental governance and laws, emphasising greater government transparency, strengthening public supervision and incorporating rule of law principles.

The objective of our China environmental governance programme is to support key Chinese government counterparts to comprehensively strengthen environmental governance through: (1) stronger and better implemented laws and regulations; (2) a more expert and robust environmental judiciary (including public prosecutors); and (3) an enabling environment for public supervision.
In 2016 ClientEarth carried out a scoping analysis to better understand the opportunities for strengthening environmental governance and rule of law in China. We also implemented a series of cooperative activities with government and the judiciary, which successfully contributed to establishing relations at a high level, putting ClientEarth in a unique position to help China create a strong, modern, and robustly enforceable environmental and climate law regime.

Our activities were targeted at:

- The Ministry of Environmental Protection (MEP) – our programme aims to provide support to MEP in drafting better environmental laws and regulations, with an emphasis on the role of civil society. This also includes support to better implementation and enforcement, through capacity building of environmental officials, assessments of the implementation of existing laws and regulations, and engagement with lawyers, judges, prosecutors, and domestic NGOs.

- The Supreme People’s Court (SPC) and the Supreme People’s Procuratorate (SPP) – our programme aims to provide support with the drafting of better ‘judicial interpretations’ and to train environmental judges and prosecutors.

Some of the main achievements of the programme in 2016 against our target outcomes include:

Better environmental laws and regulations

The Ministry of Environmental Protection (MEP) invited ClientEarth to contribute to policy development. ClientEarth has contributed to the new environmental permitting system, recommending that, in order to facilitate enforcement, environmental information disclosure reports should have sign-off from a company executive and be made publicly available. Our comments were incorporated in the pilot system.

Stronger environmental judiciary

In April 2016, ClientEarth held a joint seminar with the Supreme People’s Procuratorate on Environmental Administrative Public Interest Litigation. China has recently initiated a pilot scheme which allows Procurators to take public authorities to court when they fail to enforce environmental laws. The pilot has been underway in 6 provinces and it is vitally important that it is a success so that the scheme is made a permanent feature of the Chinese environmental legal system. The seminar was the first time the SPP has worked with an international NGO, and we are the only international organisation working with them on environmental protection.

In June 2016, ClientEarth and the Supreme People’s Court jointly organised a 4-day training event on climate litigation and resource protection for over 200 environmental judges at the national Judges’ College in Beijing with the SPC. SPC President and Chief Justice Zhou Qiang and China’s top climate envoy Xie Zhenhua both gave lectures, as well as a series of top international experts including James Thornton. Judges were instructed to take the environment and climate change into account in their rulings.

In June 2016, alongside the training mentioned above, ClientEarth and the SPC organised an International Seminar on the Judicial Response to Climate Change at the SPC premises in Beijing. It was the first time the SPC has hosted an activity at its premises with a foreign NGO. The seminar had a strong influence in shaping the understanding and thinking about climate litigation among the Chinese judiciary.

Enabling environment for public supervision

In November 2016, ClientEarth took a delegation of environmental judges led by the Supreme People’s Court to the UK and Sweden. Following the visit, the judges submitted a very progressive report to their leadership. Key points include: (i) further strengthening the system of environmental public interest litigation; (ii) better implementation of public participation principle; (iii) continue to
optimise the environmental permitting system; (iv) correctly balance the relationship between environment and economic development; (v) educate environmental judges about environmental sciences.

Measure and Indicators

The programmes of the charity operate according to strategies and work plans developed in advance, according to ClientEarth’s methodologies and established practices. Reporting requirements are in place across the board for funders as well as the trustees. In the larger programme areas (Biodiversity, Strategic Litigation, Climate and Forests, Climate and Energy), monitoring and evaluation tools and systems support programmes to develop theories of change and track progress and effectiveness against a range of indicators. Given the predominantly grant funded model of the organisation, monitoring, evaluation and reporting practices vary between programmes to meet funder requirements.

Plans for future periods

Based on our horizon scanning of upcoming threats to environmental protection and legal intervention opportunities, in addition to our reflections on the approaches that have been impactful in our past work, our focus areas in 2017 will include:

Biodiversity

We will continue to work to improve the implementation and enforcement of EU legislation that protects biodiversity, on land and at sea. We will also ensure further progress towards a sustainable fisheries management framework in the EU, including work on effective monitoring and controls, and we will advocate for an improved EU regulatory framework for aquaculture. We will promote responsible seafood sourcing in the UK and beyond. Our work to ensure that harmful chemicals are substituted will also continue in 2017.

Wildlife

- Continuing our work to stop damaging fishing in MPAs in the UK, particularly in offshore sites – and expanding this work to European MPAs by supporting and providing EU NGOs with the tools to advocate for effective management measures in their own countries.
- Influencing the announced Action Plan for better implementation of the Nature Directives, and preparing for both national and EU efforts to step up management of Natura 2000 sites.
- As the current Polish government continues to make decisions and develop laws leading to the destruction of the environment, holding the Polish government to account, tracking infringements and challenging abuses and poor implementation of the Birds and Habitats Directives.
- Continuing to defend Białowieża forest as well as protecting the rights of NGOs and civil society to intervene.

Sustainable Fisheries Management

- Working on the implementation of the landing obligation and development of long-term management plans for the North Sea and North Western Waters.
- Advocating for better environmental protections in the EU’s revision of the “how, where, when” rules of fishing (the Technical Conservation Measures Framework).
- Improving the system of fisheries controls at EU and Member State level to prevent illegal fishing and ensure that enforcement failures are dealt with.

Sustainable Seafood

- Building our project to replicate the SSC model in Spain.
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- Influencing the North American NGOs and market to harmonise sustainability messaging around seafood.
- Advocating for robust environmental protection in relation to advice the AAC provides.
- Scoping a potential new programme of work on financial markets and risk in seafood businesses.

Toxic chemicals

- Working to improve the identification and management of risk from endocrine disrupting chemicals.
- Ensuring transparency of information on chemicals (including cosmetics) through litigation.
- Defending existing chemicals legislation by participating in the European Commission evaluation of their effectiveness (REFIT).
- Expanding the scope of our work on pesticides, particularly on the protection of bees.

Climate and Forests

The Forests programme will be using experience built over the last seven years to work independently and in partnership to influence and inform the operation and reform of forest governance systems and the design and operation of market regulation, in the EU and beyond.

In 2017, we plan to engage more with private sector actors, to ensure greater relevance and impact of our work. Due to ongoing issues with political will and civil society engagement in Gabon, we are scaling back our work there to prioritise other strategic opportunities.

Improving forest governance systems

Côte d'Ivoire

In Côte d'Ivoire, we will continue to support civil society to contribute to an ongoing review of the Ivorian Forest Code. The government is also planning to undertake a constitutional review in 2017, which may provide opportunities or challenges to our work in Côte d'Ivoire. Using the results of the private sector mapping exercise we undertook in 2016, we will also work to build relations with the private sector in Côte d'Ivoire.

Ghana

In Ghana, we expect to see FLEGT licences become a reality in the coming year. The licences will act as a guarantee of legality for timber and timber products coming into the EU, meaning that products with a FLEGT licence will be considered legally harvested for the sake of the EUTR. We will provide support to Ghanaian civil society during the final negotiations of FLEGT licensing to ensure that their contributions are heard, and, if they are announced, to support civil society during the implementation of the FLEGT licensing system.

Liberia

The Liberian presidential and legislative elections are scheduled for September 2017. This provides challenges and opportunities for our work in Liberia: our activities and impact will most likely grind to a halt around the election, while certain advocacy efforts may be most powerful. We will work with civil society to ensure ongoing forest governance reform processes continue to move, and to advocate toward certain candidates to prioritise issues around forestry.

Republic of Congo

In 2017, the government hopes to finalise the draft implementing decrees to the Forest Code. At this late stage, we will work with key Congolese parliamentarians to ensure that civil society's contributions are included in the new decrees.
Advocating for strong demand-side regulations

European Union

As the EUTR is more uniformly implemented across the EU, we will work primarily to support its enforcement in 2017. This will involve, amongst other things, working with other EU-based NGOs and our in-country partners in West & Central Africa to bring cases of illegality to the attention of relevant EU Competent Authorities.

Addressing the key drivers of deforestation

Internationally

In 2017, we will capitalise on ongoing forest governance reform processes in our five focus countries across West & Central Africa to better define forest conversion in their legal frameworks. We will also use briefings and analyses produced in 2016 to draw out lessons learnt from other jurisdictions on forest governance in order to inform key stakeholders internationally.

Supporting community forestry

Congo Basin

In 2017, we will continue to analyse the legal frameworks governing community forestry internationally, to inform a greater understanding of existing legal models of community forestry and potential areas for improvement.

Climate and Energy

EU Energy Policy

In Brussels we will continue our work with regard to the EU’s 2030 legislative package, including a revised Renewable Energy Directive and legislation on new market design, a new governance instrument as well as certain elements of a revised Energy Efficiency Directive.

In 2017 the focus will shift from the European Commission to the European Parliament and the Council where the legislative proposals of the Commission will be discussed. Another important focal point for next year will be the Efficiency First principle. Our aim is to explore the ways in which this principle can be strengthened through incorporation in all relevant cross-sectoral legislation.

As in the previous years, we will also continue our efforts with regard to the state aid framework. The main aim is to establish an evidence-base that will serve as a basis for our arguments to adapt the state aid regime in a way that it enhances the achievement of a clean, low-carbon and sustainable energy market. We will also continue to develop ideas on the role of distribution system operators (DSOs) in moving to a more decentralised model, and on embedding 2030 and 2050 objectives into the IEM legal framework.

UK

Our work in the UK will have three main focuses. First, building on our legal research and public advocacy in 2016, we will seek to work with government to see our recommendations concerning the production of a legally compliant carbon Plan and the revitalisation of the Climate Change Act implemented. Secondly, we will aim to provide thought leadership on how the ambition of the Paris Agreement can best be incorporated into UK law. Thirdly, we will seek to defend and support the good functioning of the Climate Change Act in the context of the UK’s expected departure from the EU.
Poland

Energy

Our plans for 2017 assume a wider focus on raising our think tank profile. We plan to produce several regulatory assessment briefs that will comment on the governmental and political proposals on key energy acts, such as: energy efficiency, renewable energy, the capacity mechanism and others. The aim is to help shape the debate in the media, as well as raising awareness among politicians, especially from the opposition. Within this timeframe raising the profile of the proposed capacity mechanism is crucial.

We will also analyse and undertake advocacy work on the development of energy regulations and their transposition in Poland. Within our energy efficiency action we aim to stress the need for adequate regulations and support for building efficiency. This also provides a direct link with our work on clean air as we will be raising the importance of insulation, decreasing the energy demand of buildings and modernising household heating systems.

In addition we will continue to monitor the investment processes of large coal-fired energy projects such as Płonoc and others.

Clean Air

Our action regarding Clean Air in Poland in 2017 will be focused on selective and strategic litigation: cases that have the potential to set precedent and change the perception of air quality among decision-makers and the general public. As part of this, we will continue to develop cases highlighting inadequate or insufficient measures under air quality plans.

We will also monitor the development of legislation regarding the use of the worst quality solid fuels in households heating systems. Similarly to our action on the energy sector, we also plan to produce regulatory assessment briefs on proposed and current legislation on air quality issues. Our work will be in parallel with the Strategic Litigation Programme’s clean air work on transport emissions and legal action undertaken in other Central European countries.

Strategic Litigation

Clean Air

The priorities for the Strategic Litigation Programme’s Clean Air work for 2017 are:

Germany: We will assess the grounds of appeal for the city of Düsseldorf to introduce a diesel ban with external German counsel and prepare a draft response in defence of the lower court’s well-reasoned decision.

Belgium: We will request interim relief concerning the Brussels government’s failure to monitor air quality in the most polluted streets (Arts-Loi, Rue Belliard and Avenue de la Couronne) in direct contravention of the Ambient Air Quality Directive. We expect a ruling on this preliminary issue in early 2017.

Czech Republic: In 2017, we will focus our efforts on appealing the dismissal in Brno and supporting FrankBörd’s appeal in Ostrava.

Italy: We will prepare and file a court action before the Regional Administrative Court of Milan to force the adoption of a new and improved air quality plan in early 2017.
Slovakia: We expect to be in a position to launch two cases in Slovakia in early 2017.

Bulgaria & Hungary: We are considering the possibility of preparing a number of legal challenges. We hope to be in a position to launch an initial case in the second or third quarter of 2017.

Energy Litigation

The Energy Markets team plans to continue to focus efforts on (1) the three largest coal energy producers in Europe (i.e., Germany, Poland and the UK), (2) markets with extreme concentration (e.g., France and Greece) and (3) jurisdictions where cross-programmatic synergies warrant expansion of energy markets strategies to support our partners and national legal experts (i.e., Spain, Bulgaria, Italy, etc.). The team will also continue to monitor capacity mechanisms, State aid and other energy market issues to scope for potential legal interventions aimed at reducing or eliminating market distortions and concentrations.

Our Energy Transition and Environment team will continue developing and implementing our ongoing programmes of work in our key target jurisdictions, including Spain, Bulgaria, Italy and the UK. In particular, we will seek to bring further challenges in relation to the compliance of permits with IED requirements, and of coal plant operators with their permit obligations.

We will also continue scoping intervention possibilities in additional jurisdictions. For example, we have already entered into cooperation with partner organisations in Greece, including through the CAN-Europe network. We have also begun to explore transposition failures in respect of the Industrial Emissions Directive in Romania, where we have been approached to provide advice and support in relation to coal mining and power plant activities. Thus far, we have conducted an initial high-level scoping exercise in relation to the factual background and avenues that could be explored to identify possible legal interventions in these jurisdictions.

Company and Financial

In 2017, we will be looking to implement our corporate lobbying strategy, the ultimate objective of which is to mobilise corporate and investor influence to enable implementation of regional and national laws required to achieve the objectives of the Paris Agreement. The strategy seeks to neutralise negative corporate lobbying by exposing and correcting contradictions between corporate statements (particularly with corporate reporting and other statements on which investors may legitimately rely) and corporate lobbying activities. It will also amplify positive corporate voices by engaging NGO networks and enabling engaged business leaders to support UK and EU policymakers to pass strong laws and regulation reducing emissions.

In addition, we will increase pressure on the FRC and deploy a combination of campaigning, legal research, and investigative work to assess and identify key flaws in its corporate governance and management structure, with a view to it delivering the oversight and enforcement actions necessary for climate-related disclosures to be an effective driver of systemic change.

Climate Accountability:

In 2017, the Climate Accountability will support efforts to defend the UK Climate Change Act 2008 (CCA). The UK's environmental protections are under threat from harmful government policies. The UK's previously world-leading policy, enacted in the CCA, is being undermined by inaction and failure to undertake the - admittedly difficult - task of making decisions about how to transition to a low carbon economy. Instead, the UK government is delaying providing a Carbon Plan to meet the Fifth Carbon Budget and, at this rate, appears unlikely to deliver a credible and achievable plan that does so.
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If necessary, we will seek to hold the UK government to account by judicially reviewing its failure to produce a plan at all or its (anticipated) failure to close the policy gap between the Fifth Carbon Budget and the Fifth Carbon Plan. This is not only relevant for the UK, as the CCA is arguably the most ambitious piece of climate legislation in the world. It is crucial that it is vigorously defended and seen, both nationally and internationally, to be effective, and that it sets an example of what can be achieved in a well-managed transition, if a government is committed to tackling climate change.

Environmental Justice

EU Aarhus Centre

The EU Aarhus Centre will continue to advance transparency, public participation and access to justice rights with our NGO partners.

It will also implement its strategy to better integrate its work into other ClientEarth programmes, specifically in the form of:

- Litigation in the General Court against the Commission’s decision to withhold its legal opinion on the compatibility of the “Investor State Dispute Settlement” system which has been incorporated into CETA, TTIP and other recent trade agreements, in collaboration with the Trade and Environment Programme.
- Continuing to work with ClientEarth’s toxics team to improve transparency and access to justice in the EU processes for substance authorisation and compliance, including litigation in the General Court and applications to the Commission’s Internal Review Procedure;
- Access to documents requests and follow-up regarding how the EU Council decides fishing quotas and how Member States control industry compliance with the quotas, in collaboration with ClientEarth fisheries lawyers;
- Collaboration with the Strategic Litigation Programme to improve transparency and identify intervention opportunities in the fields of State aid and clean air.

In addition, the draft findings of the Aarhus Convention Compliance Committee, delivered in July 2016, must now be endorsed at the Meeting of the Parties (MOP) to take place in September 2017, including by the EU itself. There is a possibility that the EU will oppose the findings of the Committee and refuse to endorse them, setting a dangerous precedent and encouraging other parties to reject the Committee’s findings. This would seriously undermine the complaint mechanism and the Convention as a whole. ClientEarth will maintain pressure on the Commission, in the time leading up to and during the MOP in 2017, to ensure that the findings of the Committee are accepted by the Commission.

ClientEarth will also follow-up on the EU Commission’s refusal to implement the European Court of Justice’s ruling in favour of ClientEarth on access to conformity-checking studies. We will submit a complaint to the EU Ombudsman against the Commission’s handling of our latest request to access all conformity checking studies completed since 2010, as well as its refusal to proactively publish the studies in compliance with the Aarhus Convention.

The EU Aarhus Centre has applied for funding from the European Union’s Life budget, together with the NGO, Justice and Environment. If the funding proposal is accepted, ClientEarth will elaborate awareness raising materials and activities on access to justice in environmental matters including training sessions for national judges, public interest lawyers and public authorities in France and Poland over a three year period.

Trade and the Environment

The key priorities in 2017 for our work on Trade and the Environment are to:

- Ensure that trade agreements no longer threaten the environment through ISDS. ClientEarth’s goal has been to use our legal expertise to verify the legality of ISDS in EU
trade agreements by persuading a Member State or the European Parliament to make a Request for an Opinion pursuant article 218 (11) TFEU. We will closely monitor and use strategic legal intervention to assist key plating in ensuring that these countries are successful in submitting a Request before the European Court of Justice.

- Remove other threats to environmental protection in EU trade agreements. EU trade agreements can contain a number of chapters and provisions, in particular those on regulatory cooperation, which enable each Party of the agreement to challenge, influence or sideline environmental legislation. ClientEarth's goal is to use our legal expertise to highlight those risks and advocate for their removal or change.

- Improve and reinforce environmental obligations in EU trade agreements. ClientEarth's objective is to ensure that these new agreements will give substantial consideration to environmental obligations and meaningful enforcement mechanisms, by advocating for their inclusion.

- Provide legal advice and support to NGOs and decision makers for their TTIP and other trade-related campaigns. ClientEarth's objective is to use our legal expertise to demonstrate the implications of and alternatives to the current EU trade agreements. We also aim to assist other NGOs and support decision makers with legal analysis and information to improve the credibility of their campaigns.

China

Supporting environmental and climate law making and implementation

The Ministry of Environmental Protection is the main counterpart for ClientEarth in China. All of the activities in this work package, as well as the final work package on public supervision, are implemented in cooperation with MEP and its affiliated institutes.

Environmental information disclosure legislation: The Ministry of Environmental Protection Policy Research Center for Environment and Economy (PRCEE) has requested support in carrying out an objective evaluation of the level of disclosure by local governments around China. This will start with the development of an assessment methodology for evaluating the level of disclosure by local governments including a set of objectively verifiable indicators, which will be tested and then applied on a batch of municipalities in China. The results will eventually be publicly disclosed. If successful, a larger group of municipalities will be assessed in future years.

Finalise assessment of Hebei Public Participation Regulation. In the second half of 2016, ClientEarth started a joint study with PRCEE to evaluate the effectiveness of implementation of this pioneering regulation in China's most polluted province, surrounding Beijing. The study aims to evaluate whether public participation has been improved and how could it better help with pollution control, and the experiences learned will be used by future regulations in other regions.

Legal research notes for the minister: During the 2016, ClientEarth regularly received urgent requests for assistance from the Minister of Environment Chen Jining. The requests were passed on in the form of specific questions related to new policymaking initiatives. ClientEarth expects similar requests this year.

Strengthening the environmental judiciary

Both the Supreme People's Court and Supreme People's Procuratorate have demonstrated a very keen interest in working with ClientEarth. The Court and Procuratorate are issuing a series of 'judicial interpretations' – legally binding instructions to lower-level procurators and judges on how to interpret environmental laws and regulations. These interpretations do not need to pass the National People's Congress, and are therefore a very direct way to improve the actual implementation of laws and regulations. The following activities are planned in 2017:

Study fellowship for environmental judges in the USA: Jointly organised with the SPC, five senior Chinese environmental judges will travel to the USA in the period of January to March, and study environmental law at Vermont Law School for a period of two months, followed by a week of high
level meetings in Washington DC. Following their study, each of these senior judges will contribute to drafting laws and judicial interpretations, and participate in key environmental rulings. They will submit a report with recommendations to the SPC soon after their return.

Training for environmental judges: Following 2016’s success, the plan is to organise a similar national-level training for environmental judges in 2017. The SPC will conduct most of the work to organise the training and the logistics of bringing the judges to the National Judges College in Beijing. ClientEarth will support the seminar and trainings by inviting top international experts on environmental law, as well as organising simultaneous interpretation, translation of materials, etc. The training will provide much-needed knowledge to a large group of environmental judges from all over China.

Seminar with the SPC to support new judicial interpretation: ClientEarth plans to organise a similar seminar to the one held in 2016 on climate litigation. The topic will be related to the most pressing research needs of the SPC, such as public interest litigation (to be determined). The timing of the seminar will coincide with the training.

Seminar with the SPP to support new judicial interpretation: The SPP has expressed a desire to jointly organise a similar seminar to the previous year’s event. The timing and specific topic of the seminar have yet to be decided.

Creating an enabling environment for public supervision

Since the passing of the new Environmental Protection Law, the Chinese public should have access to environmental information and be given the opportunity to participate in decision-making, and Chinese environmental NGOs are now able to bring cases against polluters on behalf of the public interest. As this is all new to China, and there is a great demand for overseas best practices on how to implement it. In 2017 ClientEarth will cooperate with MEP and its affiliated institutes to help create an enabling environment for public supervision of environmental laws and regulations.

Workshops about environmental law and governance: ClientEarth will work with MEP to organise several workshops on environmental governance with environmental law scholars, NGO representatives, lawyers, officials, etc. Although the formal purpose of these meetings is policy research, they have obvious cross-training, community-building, and stakeholder engagement benefits.

Initiate pilot fund to provide expert support to local courts: The SPC has expressed demand for a revolving fund to cover the cost of expert support to environmental court cases. Environmental damage assessment is technically challenging and can be costly. Without a qualified environmental damage assessment, a judge cannot order the payment of compensation needed to restore the environment, which sets a bad precedent, and perpetuates the culture of non-compliance. ClientEarth will establish a dedicated fund, under the MEP China Environmental Protection Fund (CEPF), to which local courts can apply for financial support. If found guilty, the defendant will be ordered to re-pay the costs of the services to the Fund. This will allow the Fund to largely replenish itself. The pilot is planned for the second half of 2017. If successful, we will consider expanding the fund to other environmental governance initiatives in 2018.
Structure, governance and management

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

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

- Winsome McIntosh (Chair)
- Howard Covington (Vice-chair)
- Georg Stratenwerth (Treasurer, appointed 22 March 2016)
- Frances Beinecke
- Sarah Butler-Sloss
- Brian Eno
- Daniel Greenberg (appointed 14th September 2016)
- Stephen Hockman QC
- Philippe Joubert
- Mary Robert
- Fabienne Serfaty
- Sir Martin Smith (appointed 22 March 2016)
- The Honourable Emily Young

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 now meet three times a year. There are three new board committees, covering finance, governance (new) and litigation. There is also an ad hoc committee whose role is to undertake CEO performance evaluation and remuneration reviews. The finance committee meets on a quarterly basis, including prior to each Board of Trustees meeting. The other established committees will meet regularly at least once a year.

In the past new trustees were identified by Board members and approved by the Board. In the future, new trustees will be 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 will actively consider skills gaps in the Board of Trustees and seek to fill these with 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 pack containing relevant information regarding the charity, including the governing document, latest management reports and financials, together with relevant guidance on the role and responsibilities of trustees.

Trustees are eligible to remain on the Board of Trustees until the second annual retirement meeting following their appointment, after which time they become eligible to be reappointed by election.

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

ClientEarth has three operational offices in London, Brussels and Warsaw. The London headquarters accommodates the majority of the core functions of the charity such as the CEO's office, finance, development, communications, human resources and administration teams. The charitable work of the organisation is structured by programme, which are led by programme heads where funding allows, with larger programmes also incorporating project leads. This programme-centric structure is distributed across the three offices without reference to geographical location, so that teams may be dispersed in more than one office.
The charity has a registered branch in Belgium.

ClientEarth has a subsidiary undertaking, 'Fundacja ClientEarth Prawnicy dla Ziemi' (name officially changed from Fundacja Poland, during 2016) which is entirely controlled and funded by the UK charity; the Board of Trustees comprise Winsome McIntosh, James Thornton and Cornelia Edelman, while the management board includes members of ClientEarth UK’s management team. Fundacja ClientEarth Prawnicy dla Ziemi is established as the Polish equivalent of a charity, and its income is derived from donations and grants made by ClientEarth UK to carry out its charitable activities.

The charity has another subsidiary undertaking – a French foundation called ClientEarth France – which is also wholly controlled by ClientEarth UK. It remained dormant during 2016, undertaking no activity during the year and making no financial transactions.

The charity was in the process of establishing another subsidiary undertaking in China at the end of 2016, which will begin operations during 2017. The initial registration will be for a non-charitable ‘wholly-owned foreign entity’ or WOFE, with the intention of converting the registration during 2017 to a local non-governmental organisation (NGO) under China’s new NGO Law.

In late 2015, a charity was established in the USA which has a working relationship with ClientEarth. This began full operations during 2016. The primary purpose of this is to support the fundraising activities of ClientEarth.

Risk management

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

The trustees consider the most serious risks to which the charity is exposed at present to be: 1) the potential impact of Brexit on our operations in light of our European focus as a UK headquartered organisation; and 2) the level of the charity’s reserves, which still lie well below the target level set by the reserves policy.

Financial review

During the year ended 31 December 2016 the charity received total income of £7,311,514, a 10% increase on 2015 (£6,653,500). Total expenditure increased by 41% to £7,352,625 (2015: £5,196,742).

At year end, the total funds held by the charity were £3,064,703, a very slight decrease on the previous year (2015: £3,105,814). The restricted funds held at 31 December 2016 were £2,134,127, a 16% decrease on 2015 (£2,538,312). The unrestricted funds held at the year end increased by 64% to £930,576 (2015: £567,502).

The most significant source of income continues to be grants to fund our charitable activities. The grants are from charitable foundations and trusts in the UK, Europe and the USA, and from the UK government. The bulk of these grants are restricted to specific programmes of work, the details of which may be found in note 14 to the accounts. The high restricted funds balance held reflects the significant volume of grants that have been received and are being held pending their use for specific restricted purposes.

Income diversification continues to be a very high priority for ClientEarth, with a particular focus on developing stronger streams of unrestricted income. During 2016, the charity’s major donor
fundraising programme, started in 2015, really began to bear fruit. It delivered increased unrestricted donation income, which allowed us to grow our reserves significantly again in this period.

Reserves policy

The trustees adopted a revised reserves policy in November 2015 which considers the financial risks to which the charity is exposed and sets the target level of free reserves accordingly at 25% of total annual expenditure (£1,838,156 in 2016). Reserves are held: to cover unexpected falls in income, providing bridge funding between grants; to provide rapidly-deployable seed-funding for new initiatives; and to cover cash flow troughs, especially where grants are paid in arrears.

2016 again saw very considerable progress towards growing the charity's reserves to this level. The free reserves held at 31 December 2016 totalled £930,576, a 64% increase on the prior year (2015: £567,502). This is the third year running that the charity has significantly bolstered its reserves fund, and the trustees are pleased to note this considerable progress. There is still some way to go before the reserves meet the target level, and strengthening and diversifying unrestricted income streams will continue to be a primary strategic priority in 2017.

Trustees' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

Statement as to disclosure to auditors

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.
CLIENTEARTH
COMPANY LIMITED BY GUARANTEE
TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

Auditors

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

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

On behalf of the trustees

[Signature]
Name
Trustee
Date
CLIENTEARTH

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CLIENTEARTH

We have audited the financial statements of ClientEarth for the year ended 31 December 2016 which comprise of the Group Statement of Financial Activities, the Group and the Parent Charitable Company Balance Sheet, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's members and its trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor
As explained more fully in the Trustees' Responsibilities Statement, the trustees, who are also the directors of ClientEarth 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.

We have been appointed auditor under the Companies Act 2006 section 151 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2016, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion based on the work undertaken in the course of the audit:
- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees Annual Report has been prepared in accordance with applicable legal requirements.
CLIENTEARTH

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

Matters on which we are required to report by exception
In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees’ Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:
- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors’ report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

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

Chartered Accountants
Statutory Auditor
30 City Road
London
EC1Y 2AB

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

23 May 2017
**CLIENTEARTH**

**STATEMENT OF FINANCIAL ACTIVITIES**
**INCLUDING INCOME AND EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

<table>
<thead>
<tr>
<th>Income and endowments from:</th>
<th>Unrestricted funds £</th>
<th>Restricted funds £</th>
<th>Total 2016 £</th>
<th>Total 2015 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations and legacies</td>
<td>3</td>
<td>783,462</td>
<td>670,069</td>
<td>1,453,531</td>
</tr>
<tr>
<td><strong>Charitable activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biodiversity Programme</td>
<td>4</td>
<td>16,909</td>
<td>1,136,948</td>
<td>1,153,857</td>
</tr>
<tr>
<td>Climate &amp; Energy Programme</td>
<td>4</td>
<td>3,499</td>
<td>740,903</td>
<td>744,402</td>
</tr>
<tr>
<td>Climate &amp; Forests Programme</td>
<td>4</td>
<td>19,025</td>
<td>1,365,100</td>
<td>1,384,125</td>
</tr>
<tr>
<td>Health &amp; Environment Programme</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Strategic Litigation Programme</td>
<td>4</td>
<td>28,424</td>
<td>2,300,638</td>
<td>2,329,062</td>
</tr>
<tr>
<td>Environmental Justice Programme</td>
<td>4</td>
<td>421</td>
<td>141,458</td>
<td>141,879</td>
</tr>
<tr>
<td>China Programme</td>
<td>4</td>
<td>-</td>
<td>95,262</td>
<td>95,262</td>
</tr>
<tr>
<td>Investments</td>
<td>5</td>
<td>258</td>
<td>-</td>
<td>258</td>
</tr>
<tr>
<td>Other income</td>
<td>6</td>
<td>9,138</td>
<td>-</td>
<td>9,138</td>
</tr>
<tr>
<td><strong>Total income and endowments</strong></td>
<td></td>
<td>861,136</td>
<td>6,450,378</td>
<td>7,311,514</td>
</tr>
<tr>
<td><strong>Expenditure on:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raising funds</td>
<td>178,388</td>
<td>139,337</td>
<td>317,725</td>
<td>265,142</td>
</tr>
<tr>
<td><strong>Charitable activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biodiversity Programme</td>
<td>7</td>
<td>85,945</td>
<td>1,430,781</td>
<td>1,516,726</td>
</tr>
<tr>
<td>Climate &amp; Energy Programme</td>
<td>7</td>
<td>53,306</td>
<td>833,382</td>
<td>886,688</td>
</tr>
<tr>
<td>Climate &amp; Forests Programme</td>
<td>7</td>
<td>59,915</td>
<td>1,397,477</td>
<td>1,457,392</td>
</tr>
<tr>
<td>Health &amp; Environment Programme</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Strategic Litigation Programme</td>
<td>7</td>
<td>101,656</td>
<td>2,402,977</td>
<td>2,504,633</td>
</tr>
<tr>
<td>Environmental Justice Programme</td>
<td>7</td>
<td>16,103</td>
<td>196,706</td>
<td>212,809</td>
</tr>
<tr>
<td>China Programme</td>
<td>7</td>
<td>2,749</td>
<td>453,903</td>
<td>456,652</td>
</tr>
<tr>
<td><strong>Total charitable expenditure</strong></td>
<td></td>
<td>319,674</td>
<td>6,715,226</td>
<td>7,034,900</td>
</tr>
<tr>
<td><strong>Total resources expended</strong></td>
<td></td>
<td>498,062</td>
<td>6,854,563</td>
<td>7,352,625</td>
</tr>
<tr>
<td><strong>Net income/(expenditure) for the year/ Net movement in funds</strong></td>
<td>363,074</td>
<td>(404,185)</td>
<td>(41,111)</td>
<td>1,456,758</td>
</tr>
<tr>
<td>Fund balances at 1 January 2016</td>
<td>567,502</td>
<td>2,538,312</td>
<td>3,105,814</td>
<td>1,649,056</td>
</tr>
<tr>
<td>Fund balances at 31 December 2016</td>
<td>930,576</td>
<td>2,134,127</td>
<td>3,064,703</td>
<td>3,105,814</td>
</tr>
</tbody>
</table>

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

All income and expenditure derive from continuing activities.

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2016</th>
<th>£</th>
<th>2015</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROUP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>11</td>
<td>1,806,957</td>
<td>944,641</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td></td>
<td>1,613,436</td>
<td>2,586,643</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,420,393</td>
<td>3,531,284</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Creditors:</strong> amounts falling due within one year</td>
<td>13</td>
<td>(355,690)</td>
<td>(425,470)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted funds</td>
<td>15</td>
<td>2,134,127</td>
<td>2,538,312</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted funds</td>
<td></td>
<td>930,576</td>
<td>567,502</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,064,703</td>
<td>3,105,814</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.
The accounts were approved by the Trustees on 13/05/17

W McIntosh
Trustee

Company Registration No. 2863827
CLIENTEARTH

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>2016 £</th>
<th>2015 £</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PARENT CHARITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>11</td>
<td>1,802,162</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td></td>
<td>1,565,259</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>13</td>
<td>3,367,421</td>
</tr>
<tr>
<td>Net current assets</td>
<td></td>
<td>(344,696)</td>
</tr>
<tr>
<td>Income funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted funds</td>
<td>15</td>
<td>2,134,127</td>
</tr>
<tr>
<td>Unrestricted funds</td>
<td></td>
<td>888,598</td>
</tr>
<tr>
<td>Net income funds</td>
<td></td>
<td>3,022,725</td>
</tr>
</tbody>
</table>

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

The accounts were approved by the Trustees on 15/05/19.

W McIntosh
Trustee

Company Registration No. 2863827
### ClientEarth

**Statement of Cash Flows**

**For the Year Ended 31 December 2016**

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash (absorbed by)/generated from operations</td>
<td></td>
<td>(973,465)</td>
<td>1,275,259</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
<td>32</td>
</tr>
<tr>
<td>Interest received</td>
<td>258</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash generated from investing activities</strong></td>
<td></td>
<td>258</td>
<td>32</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Net (decrease)/increase in cash and cash equivalents</strong></td>
<td>(973,207)</td>
<td>1,275,291</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td></td>
<td>2,586,643</td>
<td>1,311,352</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>1,613,436</td>
<td>2,586,643</td>
<td></td>
</tr>
</tbody>
</table>
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.

1.1 Accounting convention
These accounts have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” ("FRS 102"), "Accounting and Reporting by Charities" the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice as it applies from 1 January 2015. The charity is a Public Benefit Entity as defined by FRS 102.

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

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

These accounts for the year ended 31 December 2016 are the first accounts of ClientEarth prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2015. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 20.

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

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

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

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

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

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

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

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

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

1.5 Resources expended

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

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

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

- Costs of generating funds: 7%
- Biodiversity: 25%
- China: 1%
- Climate and energy: 19%
- Climate and forests: 17%
- Strategic Litigation: 27%
- Environmental justice: 4%

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

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

1.6 Cash and cash equivalents

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

1.7 Financial instruments

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

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

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

Basic financial assets

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

Basic financial liabilities
Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts 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 rate method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the charity’s contractual obligations expire or are discharged or cancelled.

1.8 Employee benefits
The cost of any unused holiday entitlement is recognised in the period in which the employee’s services are received.

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

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

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

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

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

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

1.12 Basis of Consolidation
The financial statements consolidate the results of ClientEarth and its wholly-owned subsidiary ClientEarth Poland on a line by line basis.

A separate statement of the financial activities and Income & Expenditure accounts are not presented for the charity itself following the exemptions permitted by section 408 of the Companies Act 2006 and paragraph 397 of the SORP. The total incoming resources for the charity for the period ended 31 December 2016 were £7,274,114 (2015: £6,643,549) with the negative movements in funds being £66,904 (2015: £1,459,854 positive movement).
1 Accounting policies

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

2 Critical accounting estimates and judgements

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

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

The Trustee representatives do not consider there are any critical judgments or sources of estimation uncertainty requiring disclosure.

3 Donations and legacies

<table>
<thead>
<tr>
<th>Unrestricted funds</th>
<th>Restricted funds</th>
<th>Total 2016</th>
<th>Total 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Donations and gifts</td>
<td>522,077</td>
<td>670,069</td>
<td>1,192,146</td>
</tr>
<tr>
<td>Grants receivable for core activities</td>
<td>261,385</td>
<td>-</td>
<td>261,385</td>
</tr>
<tr>
<td></td>
<td>783,462</td>
<td>670,069</td>
<td>1,453,531</td>
</tr>
</tbody>
</table>

For the year ended 31 December 2015

<table>
<thead>
<tr>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>504,807</td>
</tr>
<tr>
<td>625,930</td>
</tr>
<tr>
<td>1,130,737</td>
</tr>
</tbody>
</table>
CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

4 Charitable activities:

<table>
<thead>
<tr>
<th></th>
<th>Biodiversity Programme</th>
<th>Climate &amp; Energy Programme</th>
<th>Climate &amp; Forests Programme</th>
<th>Health &amp; Environment Programme</th>
<th>Strategic Litigation Programme</th>
<th>Environmental Justice Programme</th>
<th>China Programme</th>
<th>Total 2016</th>
<th>Total 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income within charitable activities</td>
<td>1,153,857</td>
<td>744,402</td>
<td>1,384,125</td>
<td>-</td>
<td>2,329,062</td>
<td>141,879</td>
<td>95,262</td>
<td>5,848,587</td>
<td>5,514,363</td>
</tr>
<tr>
<td>Analysis by fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted funds</td>
<td>16,909</td>
<td>3,499</td>
<td>19,025</td>
<td>-</td>
<td>28,424</td>
<td>421</td>
<td></td>
<td>68,278</td>
<td></td>
</tr>
<tr>
<td>Restricted funds</td>
<td>1,136,948</td>
<td>740,903</td>
<td>1,365,100</td>
<td>-</td>
<td>2,300,638</td>
<td>141,458</td>
<td>95,262</td>
<td>5,780,309</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,153,857</td>
<td>744,402</td>
<td>1,384,125</td>
<td>-</td>
<td>2,329,062</td>
<td>141,879</td>
<td>95,262</td>
<td>5,848,587</td>
<td>5,514,363</td>
</tr>
</tbody>
</table>

For the year ended 31 December 2015

|                          |                          |                            |                             |                               |                                |                                 |                |            |            |
| Unrestricted funds       | 1,000                   | 2,156                      | -                           | 74,980                        | -                              | -                               |                | 78,136     |            |
| Restricted funds         | 1,070,408               | 1,040,083                  | 1,429,325                   | 627,887                       | -                              | 836,524                        | 432,000        | 5,436,227  |            |
|                          | 1,071,408               | 1,042,239                  | 1,429,325                   | 702,867                       | -                              | 836,524                        | 432,000        | 5,514,363  |            |
## Investments

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest receivable</td>
<td>258</td>
<td>32</td>
</tr>
</tbody>
</table>

## Other income

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other income</td>
<td>9,138</td>
<td>8,368</td>
</tr>
</tbody>
</table>
### CLIENTEARTH

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

---

#### 7. Charitable activities:

<table>
<thead>
<tr>
<th>Costs of generating funds</th>
<th>Biodiversity Programme</th>
<th>Climate &amp; Energy Programme</th>
<th>Climate &amp; Forests Programme</th>
<th>Strategic Litigation Programme</th>
<th>Environmental Justice Programme</th>
<th>China Programme</th>
<th>Governance costs</th>
<th>Support Costs</th>
<th>2016 Total</th>
<th>2015 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel and recruitment</td>
<td>273,15</td>
<td>958,710</td>
<td>517,413</td>
<td>639,552</td>
<td>1,74,523</td>
<td>158,885</td>
<td>73,100</td>
<td>12,175</td>
<td>351,261</td>
<td>4,158,734</td>
</tr>
<tr>
<td>Consultants and external assistance</td>
<td>4,485</td>
<td>179,464</td>
<td>119,074</td>
<td>341,819</td>
<td>370,582</td>
<td>15,006</td>
<td>275,842</td>
<td>747</td>
<td>5,232</td>
<td>1,312,051</td>
</tr>
<tr>
<td>Travel, events and meetings</td>
<td>2,880</td>
<td>64,309</td>
<td>517,333</td>
<td>209,619</td>
<td>77,139</td>
<td>8,859</td>
<td>62,398</td>
<td>17,420</td>
<td>46,524</td>
<td>542,890</td>
</tr>
<tr>
<td>Publications, subscriptions, memberships and trainings</td>
<td>5,925</td>
<td>40,869</td>
<td>28,338</td>
<td>40,966</td>
<td>60,924</td>
<td>3,732</td>
<td>1,176</td>
<td>113</td>
<td>8,783</td>
<td>190,645</td>
</tr>
<tr>
<td>Premises and office running costs</td>
<td>57,523</td>
<td>3,141</td>
<td>122,260</td>
<td>12,105</td>
<td>150,236</td>
<td>14,551</td>
<td>28,323</td>
<td>21,954</td>
<td>74,311</td>
<td>792,495</td>
</tr>
<tr>
<td>Accounting and professional fees</td>
<td>128</td>
<td>13,118</td>
<td>7,756</td>
<td>6,573</td>
<td>14,353</td>
<td>1,468</td>
<td>642</td>
<td>22,255</td>
<td>5,265</td>
<td>81,578</td>
</tr>
<tr>
<td>Litigation costs</td>
<td>19,492</td>
<td>7,796</td>
<td>6,076</td>
<td>5,938</td>
<td>367,953</td>
<td>975</td>
<td>325</td>
<td>325</td>
<td>2,273</td>
<td>392,870</td>
</tr>
<tr>
<td>Bank charges</td>
<td>800</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(88)</td>
<td>14,860</td>
<td>15,572</td>
<td>5,236</td>
<td>277</td>
</tr>
<tr>
<td>Exchange rate gains/(losses)</td>
<td>(8,053)</td>
<td>(32,210)</td>
<td>(24,158)</td>
<td>(21,747)</td>
<td>(32,210)</td>
<td>(4,026)</td>
<td>(134,210)</td>
<td>(9,365)</td>
<td>(1,956)</td>
<td>(1+56,742)</td>
</tr>
<tr>
<td>Bad debts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>277</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Overhead recharge</td>
<td>(48,303)</td>
<td>(9,840)</td>
<td>(40,809)</td>
<td>22,420</td>
<td>157,340</td>
<td>(7,631)</td>
<td>11,228</td>
<td>(8,051)</td>
<td>(56,354)</td>
<td>-</td>
</tr>
</tbody>
</table>

| Total | 290,449          | 1,383,428                  | 787,683                     | 1,366,777                     | 2,360,840                     | 191,819        | 451,404        | 65,625      | 454,600     | 7,352,625  | 5,196,742  |

Support Costs allocated to activities: 27,276
Governance Costs allocated to activities: 19,648

Total: 317,725

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CLIENTEARTH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

8 Trustees

None of the trustees (or any persons connected with them) received any remuneration during the year. During the year £5,997 (2015: £8,726) of expenses were reimbursed to W McIntosh relating to travel and accommodation costs for attending trustees meetings. These costs were covered by an unrestricted grant to the charity from the McIntosh Foundation.

9 Employees

Number of employees
The average monthly number employees during the year was:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted funds projects</td>
<td>66</td>
<td>59</td>
</tr>
<tr>
<td>Unrestricted funds projects</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>83</td>
<td>72</td>
</tr>
</tbody>
</table>

Employment costs

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>£7</td>
<td>£4</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>£60,000 - £70,000</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>£70,000 - £80,000</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>£90,000 - £100,000</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>£150,000-£160,000</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Pension contributions for employees whose annual remuneration was £60,000 or more amounted to £23,539 (2015: £24,210).

Remuneration of key management personnel
The remuneration of key management personnel, is as follows.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate compensation</td>
<td>£155,000</td>
<td>£155,000</td>
</tr>
</tbody>
</table>
### 10 Financial instruments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount of financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt instruments measured at amortised cost</td>
<td>1,639,972</td>
<td>2,602,521</td>
<td>1,591,795</td>
<td>2,577,263</td>
</tr>
<tr>
<td>Carrying amount of financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measured at amortised cost</td>
<td>157,327</td>
<td>286,425</td>
<td>146,333</td>
<td>269,808</td>
</tr>
</tbody>
</table>

### 11 Debtors

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts falling due within one year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GROUP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other debtors</td>
<td>26,536</td>
<td>15,876</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>1,780,421</td>
<td>928,763</td>
</tr>
<tr>
<td></td>
<td>1,806,957</td>
<td>944,641</td>
</tr>
<tr>
<td>PARENT CHARITY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other debtors</td>
<td>26,536</td>
<td>15,876</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>1,775,626</td>
<td>921,220</td>
</tr>
<tr>
<td></td>
<td>1,802,162</td>
<td>937,098</td>
</tr>
</tbody>
</table>

### 12 Creditors: amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other creditors</td>
<td>321,970</td>
<td>395,780</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>33,720</td>
<td>29,690</td>
</tr>
<tr>
<td></td>
<td>355,690</td>
<td>425,470</td>
</tr>
</tbody>
</table>
## Other creditors falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROUP</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other creditors</td>
<td>321,970</td>
<td>395,780</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>33,720</td>
<td>29,690</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>355,690</td>
<td>425,470</td>
</tr>
<tr>
<td><strong>PARENT CHARITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other creditors</td>
<td>310,976</td>
<td>379,163</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>33,720</td>
<td>29,690</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>344,696</td>
<td>408,853</td>
</tr>
</tbody>
</table>

### Retirement benefit schemes

**Defined contribution schemes**

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

The charge to profit or loss in respect of defined contribution schemes was £85,476 (2015 £107,932).
## 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:

<table>
<thead>
<tr>
<th>Group and Parent</th>
<th>Balance at 1/1/2016</th>
<th>Movement in funds</th>
<th>Balance at 31/12/16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Adessium Foundation - Fisheries</td>
<td>54,654</td>
<td>109,965</td>
<td>(99,089)</td>
</tr>
<tr>
<td>Arcadia Fund</td>
<td>175,845</td>
<td>300,000</td>
<td>(327,713)</td>
</tr>
<tr>
<td>Calouste Gulbenkian Foundation - Marine</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CoLAboration</td>
<td>5,136</td>
<td></td>
<td>(5,136)</td>
</tr>
<tr>
<td>Calouste Gulbenkian Foundation - Aquaculture</td>
<td>19,418</td>
<td>20,000</td>
<td>(39,418)</td>
</tr>
<tr>
<td>European Environment and Health Initiative</td>
<td></td>
<td>23,573</td>
<td>(18,827)</td>
</tr>
<tr>
<td>Kelstrelman Trust - Wildlife</td>
<td></td>
<td>30,000</td>
<td>(14,371)</td>
</tr>
<tr>
<td>Global Greengrants Fund</td>
<td>88,894</td>
<td>151,885</td>
<td>(161,549)</td>
</tr>
<tr>
<td>SSC Membership</td>
<td></td>
<td>30,591</td>
<td>(26,109)</td>
</tr>
<tr>
<td>Oak Foundation</td>
<td>7,075</td>
<td></td>
<td>(7,075)</td>
</tr>
<tr>
<td>Pig Shed Trust/Funding Fish</td>
<td>88,272</td>
<td>199,938</td>
<td>(226,059)</td>
</tr>
<tr>
<td>Pig Shed Trust</td>
<td>150,000</td>
<td></td>
<td>(108,841)</td>
</tr>
<tr>
<td>Sir John Fisher Foundation</td>
<td>10,316</td>
<td>10,000</td>
<td>(6,368)</td>
</tr>
<tr>
<td>SumOfUs</td>
<td>15,087</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK Infrastructure Bill</td>
<td>237</td>
<td></td>
<td>(237)</td>
</tr>
<tr>
<td>Walton Family Foundation</td>
<td>81,207</td>
<td>105,996</td>
<td>(168,856)</td>
</tr>
<tr>
<td>Waterloo Foundation</td>
<td></td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Ashden Trust</td>
<td>53,544</td>
<td>75,000</td>
<td>(71,489)</td>
</tr>
<tr>
<td>European Climate Foundation - EU Governance</td>
<td></td>
<td>238,820</td>
<td>(230,908)</td>
</tr>
<tr>
<td>European Climate Foundation - EU Energy Efficiency</td>
<td></td>
<td>26,752</td>
<td>(23,560)</td>
</tr>
<tr>
<td>European Climate Foundation - State Aid</td>
<td>3,213</td>
<td>68,100</td>
<td>(70,013)</td>
</tr>
<tr>
<td>European Climate Foundation - Demand Side Management</td>
<td></td>
<td>4,819</td>
<td>(4,819)</td>
</tr>
<tr>
<td>European Climate Foundation - Poland Coal</td>
<td></td>
<td>123,250</td>
<td>(123,250)</td>
</tr>
<tr>
<td>European Climate Foundation - Poland Energy Efficiency</td>
<td></td>
<td>50,544</td>
<td>(47,863)</td>
</tr>
<tr>
<td>European Climate Foundation - Poland Energy Sector</td>
<td></td>
<td>37,748</td>
<td>(37,748)</td>
</tr>
<tr>
<td>European Climate Foundation - Poland Citizens Bill</td>
<td></td>
<td>46,643</td>
<td>(46,643)</td>
</tr>
<tr>
<td>European Climate Foundation - Capacity Market</td>
<td>- 3,926</td>
<td></td>
<td>(3,926)</td>
</tr>
<tr>
<td>Heinrich Boll Foundation</td>
<td>- 15,729</td>
<td></td>
<td>(15,729)</td>
</tr>
<tr>
<td>Intelligent Energy Europe - Community Power Project</td>
<td>(43,287)</td>
<td>43,229</td>
<td>58</td>
</tr>
<tr>
<td>Kestrelman Trust - Clean air</td>
<td>- 15,982</td>
<td></td>
<td>(15,982)</td>
</tr>
<tr>
<td>JMG Foundation</td>
<td>- 29,845</td>
<td></td>
<td>(4,000)</td>
</tr>
</tbody>
</table>

**Sub total**                                     | 564,430              | 1,907,697         | (1,900,701)          | 571,426 |
15 Restricted funds

<table>
<thead>
<tr>
<th></th>
<th>Balance at 1/1/2016</th>
<th>Incoming resources</th>
<th>Resources expended</th>
<th>Balance at 31/12/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brought forward from previous page</td>
<td>564,430</td>
<td>1,907,697</td>
<td>(1,900,701)</td>
<td>571,426</td>
</tr>
<tr>
<td>Department for International Development via International Institute for Environment and Development</td>
<td>-</td>
<td>43,729</td>
<td>(33,847)</td>
<td>9,882</td>
</tr>
<tr>
<td>Department for International Development - Forest Governance, Markets &amp; Climate</td>
<td>394,951</td>
<td>1,291,526</td>
<td>(1,209,947)</td>
<td>476,530</td>
</tr>
<tr>
<td>Children’s Investment Fund Foundation - Climate Litigation</td>
<td>314,233</td>
<td>1,478,872</td>
<td>(1,454,210)</td>
<td>338,895</td>
</tr>
<tr>
<td>Clean Air work restricted donations</td>
<td>-</td>
<td>4,813</td>
<td>-</td>
<td>4,813</td>
</tr>
<tr>
<td>Children’s Investment Fund Foundation - Climate Litigation Drawdown Facility</td>
<td>221,714</td>
<td>429,088</td>
<td>(359,728)</td>
<td>291,074</td>
</tr>
<tr>
<td>Climateworks Foundation - via Deutsche Umwelthilfe e.V. - Black Carbon</td>
<td>(18)</td>
<td>478</td>
<td>(460)</td>
<td>-</td>
</tr>
<tr>
<td>Frederick Mulder Foundation</td>
<td>51,224</td>
<td>50,000</td>
<td>(73,599)</td>
<td>27,625</td>
</tr>
<tr>
<td>Friends Provident Foundation</td>
<td>-</td>
<td>19,000</td>
<td>-</td>
<td>19,000</td>
</tr>
<tr>
<td>Kenneth Miller Trust - Health</td>
<td>3,417</td>
<td>25,000</td>
<td>(28,417)</td>
<td>-</td>
</tr>
<tr>
<td>KR Foundation - via CIEL</td>
<td>17,786</td>
<td>8,800</td>
<td>(26,586)</td>
<td>-</td>
</tr>
<tr>
<td>Network for Social Change</td>
<td>-</td>
<td>15,000</td>
<td>(15,000)</td>
<td>-</td>
</tr>
<tr>
<td>Sainsbury Family Charitable Trusts</td>
<td>40,830</td>
<td>50,000</td>
<td>(57,016)</td>
<td>33,814</td>
</tr>
<tr>
<td>Trust For London</td>
<td>(8,103)</td>
<td>173,000</td>
<td>(119,271)</td>
<td>45,626</td>
</tr>
<tr>
<td>Wallace Global Fund</td>
<td>-</td>
<td>51,398</td>
<td>(51,398)</td>
<td>-</td>
</tr>
<tr>
<td>Adessium Foundation – Aarhus Centre</td>
<td>9,633</td>
<td>81,458</td>
<td>(80,310)</td>
<td>10,781</td>
</tr>
<tr>
<td>Funders for Fair Trade</td>
<td>24,040</td>
<td>60,000</td>
<td>(84,040)</td>
<td>-</td>
</tr>
<tr>
<td>Children’s Investment Fund Foundation - China</td>
<td>374,905</td>
<td>95,262</td>
<td>(470,167)</td>
<td>-</td>
</tr>
<tr>
<td>Blue Haven Initiative - Core</td>
<td>101,340</td>
<td>248,607</td>
<td>(189,547)</td>
<td>160,400</td>
</tr>
<tr>
<td>Blue Haven Initiative - US Fundraising</td>
<td>219,249</td>
<td>312,763</td>
<td>(387,751)</td>
<td>144,261</td>
</tr>
<tr>
<td>Esmée Fairbairn Foundation</td>
<td>208,681</td>
<td>-</td>
<td>(208,681)</td>
<td>-</td>
</tr>
<tr>
<td>Children’s Investment Fund Foundation - Core</td>
<td>-</td>
<td>103,887</td>
<td>(103,887)</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total**

|                                | 2,538,312            | 6,450,378          | (6,854,563)        | 2,134,127            |

Incoming resources from generated funds

**Biodiversity programme**

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

**Arcadia Fund**
Support to develop and build the charity's Wildlife Defence Project.

**Calouste Gulbenkian Foundation – Marine CoLABoration**
To fund participation in the Foundation’s Marine CoLABoration initiative.
Calouste Gulbenkian Foundation - Aquaculture
Support for the development of aquaculture standards across the EU.

European Environment & Health Initiative
Support for the better regulation of endocrine disruptor chemicals (EDCs) as part of the organisation’s Toxics Project.

Kestrelman Trust - Wildlife
Support for the charity's Wildlife Defence Project in Poland including legal interventions in defence of the Białowieża forest.

Global Greengrants Fund
Support for work on the enforcement and implementation of the EU Regulation on the Registration, Evaluation, Authorisation and restriction of Chemicals (REACH), with the ultimate aim of reducing the quantity of toxic chemicals on the market.

Funding Fish
Support for the implementation of the Common Fisheries Policy as part of the charity’s wider Fisheries Project.

Membership contributions to the UK Sustainable Seafood Coalition
Support for the Sustainable Seafood Coalition, a partnership with major seafood buyers to advance seafood sustainability in the United Kingdom.

Oak Foundation
Support for a pilot project addressing IUU fishing.

Pig Shed Trust
Support for the charity’s advocacy work to secure strong implementation of the EU’s reformed Common Fisheries Policy (CFP).

Sir John Fisher Foundation
Support for the charity’s coordination of the UK Sustainable Seafood Coalition.

SumOfUs
Support to intervene in a case before the European Court of Justice in support of European Commission measures that ban the use of certain neonicotinoid pesticides.

UK Infrastructure Bill
Support from the Arcadia Fund, the JMG Foundation and the Aspinall Foundation to work on the impact of the UK Infrastructure Bill on species no longer normally present in Britain.

Walton Family Foundation
Support for the Sustainable Seafood project looking at scoping and replicating the UK Sustainable Seafood Coalition in new markets in Spain and the USA.

Waterloo Foundation - Brexit
Support to influence the development of post-Brexit fisheries laws to ensure sustainable fisheries management in the waters around the UK.
Climate and energy programme

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

European Climate Foundation – EU Governance
To support the charity’s legal strategy on Europe’s 2030 Climate and Energy Package.

European Climate Foundation – EU Energy Efficiency
To support the charity’s work on the legal framework governing energy efficiency at EU level.

European Climate Foundation – EU State Aid
To support the charity’s legal and policy strategy contributing to Europe’s decarbonisation of the power sector.

European Climate Foundation – Demand Side Management
To support the charity’s work on demand side management/response in the power sector.

European Climate Foundation – Poland Coal
To support the charity’s legal strategy against unabated coal in Poland.

European Climate Foundation – Poland Energy Efficiency
To support the charity’s work on the legal framework governing energy efficiency in Poland.

European Climate Foundation – Poland Energy Sector
Support to promote the transition of coal to a renewable Polish energy sector.

European Climate Foundation – Poland Citizens Bill
Support to promote and support the concept of micro-generation and prosumer energy in Poland.

European Climate Foundation – Capacity Market
Support for regulatory assessment of the proposed capacity market scheme in Poland.

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

Intelligent Energy Europe – Community Power Project
Support for work to enable legislation to increase community ownership of renewable energy sources (RES) projects across Europe. The current negative fund balance is due to the payment schedule of the grant.

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

Climate and forests programme

JMG Foundation
Support for work on the implementation of the EU Timber Regulation in Eastern Europe.
UK Department for International Development via International Institute for Environment and Development (IIED)
Support as part of a consortium for the CoNGOs project: NGOs collaborating for equitable and sustainable community livelihoods in Congo Basin forests.

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

Strategic Litigation programme

Children’s Investment Fund Foundation – Climate Litigation
Support for legal actions aimed at accelerating the transition to low carbon living in Europe, through reducing emissions from existing coal plants, improving air quality and reducing emissions from the corporate sector.

Clean Air work restricted donations
Support for air quality campaign activities in the UK.

Children’s Investment Fund Foundation – Climate Litigation Drawdown Facility
Support for legal actions aimed at accelerating the transition to low carbon living in Europe, through reducing emissions from existing coal plants, improving air quality and reducing emissions from the corporate sector.

ClimateWorks Foundation via Deutsche Umwelthilfe e.V. (DUH) – Black Carbon
Support for the charity’s ‘Black Carbon Campaign’, setting up a strategy for national campaigning on black carbon.

Frederick Mulder Foundation
Support for climate damages work.

Friends Provident Foundation
Support for legal interventions to drive corporate and investor action on climate change.

Kenneth Miller Trust - Health
Support for the healthy air programme, in particular the ‘UK Healthy Air Campaign’.

KR Foundation via the Center for International Environmental Law (CIEL)
Support for the charity’s work to promote the rapid expansion and strategic development of climate law, liability and litigation, with a focus on holding corporations accountable for climate damages.

Network for Social Change
Support for air quality campaign activities in the UK.

Sainsbury Family Charitable Trusts (Mark Leonard Trust/Ashden Trust/JJ Charitable Trust)
Support for a lawyer post in the Climate Litigation programme.

Trust for London
Support for a campaign for the adoption and implementation of a Clean Air Zone for London.
15 Restricted funds

Wallace Global Fund
Support to develop legal strategies to promote action on climate change.

Environmental Justice programme

Adessium Foundation – Aarhus Centre
Support for the ‘Aarhus Centre’ project to further develop the Brussels-based EU Aarhus Centre, which aims to promote the accountability, transparency and good governance of EU institutions to ensure that citizens are able to exercise their rights as granted by the Aarhus Convention.

Funders for Fair Trade
Support from a coalition of funders to develop strategic legal interventions to ameliorate the environmental impacts of the Transatlantic Trade and Investment Partnership (TTIP).

China programme

Children’s Investment Fund Foundation
Support for a scoping study to improve the charity’s understanding of the opportunities presented by working on rule of law in China.

Restricted core grants

Blue Haven Initiative – Core
To support the charity’s core costs, including inter alia the COO / Deputy CEO post and associated costs.

Blue Haven Initiative – US Fundraising
To support the launch of a US fundraising effort by the charity.

Esmée Fairbairn Foundation
To support the charity’s core costs, including inter alia senior posts in finance and development.

Children’s Investment Fund Foundation– Core
To support the charity’s core costs, including the Deputy CEO post and costs associated with an Organisational Effectiveness Review.

16 Analysis of net assets between funds

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted funds £</th>
<th>Restricted funds £</th>
<th>Total £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund balances at 31 December 2016 are represented by:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets/(liabilities)</td>
<td>930,576</td>
<td>2,134,127</td>
<td>3,064,703</td>
</tr>
</tbody>
</table>

- 58 -
17 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:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>337,983</td>
<td>139,229</td>
</tr>
<tr>
<td>Between two and five years</td>
<td>49,435</td>
<td>102,529</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>387,418</td>
<td>241,758</td>
</tr>
</tbody>
</table>

18 Related party transactions

During the year the charity received an unrestricted grant of £107,855 from The McIntosh Foundation (2015: £110,129), a foundation of which Winsome McIntosh (a trustee) is also a trustee.

During the year the charity received an unrestricted grant of £150,000 from The J. Van Mars Foundation (2015: £150,000), a foundation of which the members of the band Coldplay (patrons) are trustees. Phil Harvey (a former trustee) is the band’s creative director.

During the year the charity received two restricted grants totalling £125,000 from The Ashden Trust (2015: £125,000) a trust of which Sarah Butler-Sloss (a trustee) is also a trustee.

Client Earth France, a French foundation was formed during 2011. The foundation is 100% controlled by ClientEarth and had no transactions during the year.

ClientEarth Poland, a Polish Foundation is 100% controlled by ClientEarth. A grant of £398,133 (2015: £297,178) was made to the Polish Foundation in the year.

The charity was in the process of establishing another subsidiary undertaking in China at the end of 2016, which will begin operations during 2017. The initial registration will be for a non-charitable ‘wholly-owned foreign entity’ or WOFE, with the intention of converting the registration during 2017 to a local non-governmental organisation (NGO) under China’s new NGO Law.
19  Cash generated from operations

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Deficit)/surplus for</td>
<td>(41,111)</td>
<td>1,456,758</td>
</tr>
<tr>
<td>the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>(258)</td>
<td>(32)</td>
</tr>
<tr>
<td>recognised in profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movements in working</td>
<td></td>
<td></td>
</tr>
<tr>
<td>capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) in</td>
<td>(862,316)</td>
<td>(472,746)</td>
</tr>
<tr>
<td>debtors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Decrease)/increase in</td>
<td>(69,780)</td>
<td>291,279</td>
</tr>
<tr>
<td>creditors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash (absorbed by)/</td>
<td>(973,465)</td>
<td>1,275,259</td>
</tr>
<tr>
<td>generated from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>operations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20  Reconciliations on adoption of FRS 102

Reconciliation of fund balances

<table>
<thead>
<tr>
<th></th>
<th>At 1 Jan 2015</th>
<th>At 31 Dec 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Fund balances as</td>
<td>1,649,057</td>
<td>3,105,814</td>
</tr>
<tr>
<td>reported under</td>
<td></td>
<td></td>
</tr>
<tr>
<td>previous UK GAAP and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>under FRS 102</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reconciliation of net movement in funds

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes</td>
<td>£</td>
</tr>
<tr>
<td>Net movement in funds</td>
<td></td>
</tr>
<tr>
<td>as reported under</td>
<td></td>
</tr>
<tr>
<td>previous UK GAAP</td>
<td></td>
</tr>
<tr>
<td>and under FRS 102</td>
<td>1,456,758</td>
</tr>
</tbody>
</table>

Notes to reconciliations on adoption of FRS 102

There are no material FRS 102 transitional adjustments in respect of the transitional and comparative periods.