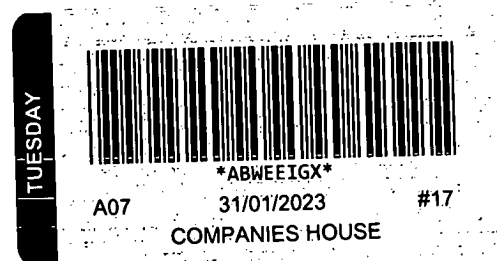


THE CLIMATE CHANGE ORGANISATION

t/a °CLIMATE GROUP

Annual Report and Accounts 2021/22 12 months to 30 June 2022

COMPANY NUMBER: 4964424
CHARITY NUMBER: 1102909



Board of Trustees' Report

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*Hon. Mike Rann AC CNZM
Chair of the Board of
Trustees*

A message from our Chair

It has been a challenging few year for all of us committed to Net Zero but Climate Group has risen to the challenge despite the extraordinary difficulties of working through a pandemic and, more recently the impact of a war in the Ukraine which has seen the energy sector in Europe weaponised by Russia.

So often geopolitical crises have intervened to divert attention away from the greatest threat to humanity, but we do have grounds for optimism. People's real-life experiences of climate change are reinforcing the message from the science. Record temperatures, crippling droughts, ferocious wildfires, devastating floods, and hurricanes have seen climate denying governments lose office and critically important legislation and climate funding approved by governments and legislatures. Private sector investment is also now flowing much faster into renewable energy and sustainable products

Climate Group's business membership through RE100 continues to grow and includes many of the world's biggest corporations. Our already established clout in EV policy continues to grow and we are forging new ground with our SteelZero and ConcreteZero initiatives. Meanwhile, the number of sub national governments in the "Under 2" coalition is also growing. Located in every continent, they cover around half the world's GDP, and so often have led their nations in climate action.

Since the start of the pandemic, we have seen Climate Group expand its staff and its international network. We have established an EU office in Amsterdam, which is working closely with our other offices in London, New York, New Delhi and Beijing.

I want to congratulate our hard-working CEO Helen Clarkson and all her team on their extraordinary success during the most difficult of circumstances. I also want to congratulate Helen for being awarded an OBE for services to tackling climate change by the late Queen Elizabeth in her Jubilee Honours List in June.

It was a great privilege to be elected as Chair of Climate Group earlier this year. I am honoured to follow in the footsteps of Joan McNaughton who steered Climate Group globally on a course of sustained growth. During Joan's tenure as Chair Climate Group has also grown in the diversity of both our programmes and our geographic spread. I am delighted that long term board member Zoë Ashcroft is our new Deputy Chair.

Across the Atlantic there have also been changes with the retirement of prominent environmentalist Bill Moomaw, the long-term Chair of our North American board. We thank Bill for his leadership and wisdom. We welcome former Colorado Governor Bill Ritter to the role, supported by long time board member Doug Lawrence as his Deputy. We also welcome Angela Barranco as the Executive Director for North America.

I am writing this message after returning from Climate Week in New York. Once again Climate Group, hosting some 400 events, is setting the pace and the ambition in "getting it done" with growing international influence.



Helen Clarkson
Chief Executive Officer

A message from our Chief Executive

In May 2021 and then July 2021 Climate Group held two significant events – our first SteelZero summit and the launch of our ConcreteZero campaign. Both were important from the point of view of our mission and, I think, told an important story about what's happening in the world of climate action.

Our mission is all about accelerating climate action, and a couple of years ago it might have seemed crazy to take our theory of change into the so-called 'hard-to-abate' sectors. Historically, Climate Group has tended to act to move things rapidly to scale, whether that is renewable electricity procurement or sub-national climate commitments. But in our new 'Zero' campaigns, we're working at a different part of the innovation curve: sending demand signals into the

market for products that either don't yet exist (zero carbon concrete) or at least not at scale and at the right price point (zero carbon steel).

The mood in both these rooms was certainly not one of NGOs in one corner pleading companies to do more, with big business in the other sucking its teeth and saying "I wouldn't start from here". Instead, there was deep engagement from all and a real willingness to get stuck into the hard work of change. The energy and enthusiasm in both rooms, and the sense that industry is really willing to roll up its sleeves and work this out, was really a cause for a lot of optimism.

For Climate Group it also reinforced that we're moving in the right strategic direction and the foundations that we've laid (with apologies for the construction puns now I'm thinking about concrete) for using our campaigns to drive wider systemic change, are paying off.

This also links to the theme that we've used for Climate Week New York City (NYC) in both 2021 and 2022, "Getting It Done". We think that commitments continue to be important, and we ensure that companies and governments we work with make ambitious commitments and we follow-up on those. But the critical piece is moving from commitment into action. So, the commitment is the first step you take, not the last. That's why events such as these are so important – where practitioners can come together and learn from one another, in order to continue to accelerate action.

The external world has got notably harder in the period this annual report covers – with the world trying to recover from the economic impacts of the pandemic and the global energy crisis brought on by the illegal invasion of Ukraine. These complex geopolitics are being exploited by many who do not want to tackle the climate crisis with the requisite urgency, and instead want to maintain the fossil fuel status quo.

In the face of those countervailing forces, and with the climate reminding us weekly that it is in a process of profound change, it can be hard to remain optimistic. But the amount of activity we're seeing and commitment to action from even the parts of the economy that will be most difficult to change, are a cause of hope. I hope this report shows that we're continuing to play our part in Getting It Done.

1. Objectives and activities

About us

Climate Group is an international non-profit, publicly launched in 2004, with offices in London, Amsterdam, Beijing, New Delhi, and New York. Our mission is to drive climate action, fast. Our goal is a world of net zero carbon emissions by 2050, with greater prosperity for all. We do this by forming powerful networks of business and government, unlocking the power of collective action to move whole systems such as energy, transport, the built environment, industry, and food to a cleaner future. Together, we're helping to shift global markets and policies towards faster reductions in carbon emissions.

What we do

Three factors make us unique:

- **Scale:** We power large networks and hold each organisation accountable.
- **Speed:** We focus on action now — not action tomorrow.
- **Collaboration:** We know who needs to work together to get things done.

How we do it

- **We make it happen:** we convince, challenge and help organisations to make commitments, then turn them into action.
- **We multiply it:** we build and run networks. We join up organisations to unlock the power of collective action that shares the same ambitions and creates influence.
- **We shout about it:** we share what we achieve together to show more organisations what they could do.

We work with leaders and decision-makers from business and government because they shape the market frameworks that can help the world achieve net zero emissions by 2050 or earlier. They have the tools and influence to make it possible in the time we have left.

We work in the following areas to help drive change fast across our systems.

- **Ambition and accountability:** We report annually on progress towards core climate commitments to keep businesses and governments on track. Many are delivering faster than their competitors and are inspiring and challenging others to speed up as well.
- **Knowledge and learning:** We facilitate peer learning and best practice sharing between businesses and governments; and we connect decision-makers to essential information and resources.
- **Engagement (across sectors and value chains):** We drive engagement and dialogue between business, government and other stakeholders to address the barriers to action.
- **Policy influencing:** We use the actions and collective voice of our large networks to influence and shift global markets and policies toward faster reductions in carbon emissions.

Our objectives and key initiatives

This year was the second of our current four-year strategy – our four key strategic goals for this period are set out below. Our focus is on changing key systems of the world where we can drive the deepest emissions cuts, using our theory of change. We are also continuing to build our organisation in order to be able to deliver our ambitions.

Make vital systems of the world economy compatible with a net-zero future

We will drive deep, rapid emissions cuts from business and government across the energy, built environment, industry, transport and food systems.

Develop and leverage solutions which create maximum, measurable impact

We will deploy, promote and continually refine the most powerful tools to solve the climate challenge – ambition-setting and accountability, policy advocacy, knowledge and learning, and engagement.

Be an inspiring climate influencer

We will convince decision-makers to take faster, bolder action by shaping agendas in the areas we work, constructively challenging and sharing positive stories of how a net-zero future can be achieved.

Achieve Organisational Excellence

We will be highly effective across all our operations – providing value to funders, maintaining financial strength and ensuring Climate Group is a rewarding, supporting and fun place to work.

In line with the focus on key systems, we have taken forward the following initiatives.

Initiative	Description
Energy	
RE100	A global initiative, in partnership with CDP, of influential businesses committed to 100% renewable electricity, working to massively increase demand for – and delivery of – renewable energy.
Industry	
SteelZero	A global initiative, in partnership with ResponsibleSteel, to build a group of leading companies committed to the responsible sourcing and production of steel.
ConcreteZero	A global initiative, in partnership with the World Business Council for Sustainable Development (WBCSD) and the World Green Building Council to build a group of leading companies committed to the sourcing of net zero concrete.
Transport	
EV100	A global initiative of forward-looking companies committed to accelerating the transition to electric vehicles (EVs) and making electric transport the new normal by 2030.
Zero Emission Vehicle (ZEV) Initiatives	Our ZEV Community initiative brings together all levels of governments to share and learn about exciting ZEV initiatives taking place around the world. Our ZEV Challenge calls on businesses and governments to commit to action that will accelerate the adoption of zero emission vehicles and the necessary supporting infrastructure and policy.

Fast-tracking e-mobility and clean electrification	A collaborative project with our We Mean Business coalition partners, CDP and WBCSD, to engage Indian businesses in the accelerate adoption of electric vehicles and renewable energy.
RouteZero	A global platform to showcase ambitious commitments and bold action on zero emission vehicles, supporting the Race to Zero Breakthroughs and the UK government's COP26 Presidency campaign on clean road transport.
Built environment	
EP100	A global initiative of energy-smart companies committed to using energy more productively, to lower greenhouse gas emissions and accelerate a clean economy.
LED Programme	Our long-running programme to help cities and businesses switch to highly energy efficient LED lighting.
Food	
Alliance for Regenerative Ranching in the Peruvian Amazon	Introducing sustainable agriculture and livestock practices to recover and regenerate forests in the Peruvian Amazon and contribute to local economic development. A pilot project involving Under2 Coalition member, Madre de Dios, Peru.
Cross-cutting projects	
Climate Footprint Project	A project enabling Under2 governments to develop robust medium and long-term (2050) emissions reduction plans in line with the goals of the Paris Climate Agreement.
Climate Pathways Project	A project building capacity in Under2 governments so they have the expertise and systems in place to assess their emissions accurately, track progress and ensure policies remain fit for delivering against climate targets. Includes production of the Annual Under2 Coalition Disclosure Report.
State and Regional Government Policy Programme	An initiative disseminating today's best climate policies and developing new policies to ensure full decarbonisation by Under2 governments.
Under2 Secretariat	Providing executive support for the Under2 Coalition including working with the Co-Chairs to develop strategy, set its ambition, deliver peer to peer learning, manage future programme development, and to drive the public profile of the Coalition through events and communications.
Climate Week NYC	Our premier annual international summit in New York and a key moment in the global climate calendar, convening climate leaders from business, government and civil society to showcase amazing climate action and engage on how to do more.

2. Achievements and performance

Making vital systems of the world economy compatible with a net-zero future

The science is clear: we need to rapidly and radically decarbonise the world's economy. Climate Group aims to act as a catalyst within key systems to accelerate the pace of change.

To that end, we focus on systems where we think we can have the most impact and which have the highest potential for emissions reductions. In each of these we use our commitment campaigns as a basis for action and then increasingly we are targeting both specific geographies and sectors where we think there is opportunity for impact: for example, the UK government's ambition to be a climate leader in the run up to COP26, led us to target our transport policy work towards bringing forward the end date of the combustion engine in the UK. We are seeing this strategy lead to increased impact as follows:

In the energy system, the depth of our relationship with local partners has enabled a suite of tangible policy changes.

For example, we published the RE100 India Policy Asks in 2022 and are now using them as an engagement tool to further policy work in India with key stakeholders including the Ministry of New and Renewable Energy, and Ministry of Power.

Similarly in Japan, RE100 was cited in background materials for the proposal for change to Energy Efficiency Act, approved 1 March 2022; the Japanese Government is now seeking to enhance its renewables tracking scheme following recommendations from an RE100 consultation in 2021; and RE100 was mentioned by METI in their new measure to support solar Power Purchase Agreements.

In the transport system, we led policy interventions in the UK, EU, USA, India and Japan, culminating with a series of RouteZero announcements at COP26 in Glasgow.

We worked closely with the UK and Netherlands' governments and other RouteZero partners to ensure that on COP26 Transport Day we were able to launch both the "COP26 declaration on accelerating the transition to 100% zero emission cars & vans" and the "Global memorandum of understanding on zero emission medium and heavy duty vehicles," bringing together organisations representing global markets with over 2 billion people and automakers producing one in four passenger cars, including Mercedes-Benz, General Motors, and Ford.

RouteZero continued to drive policy action in the aftermath of COP26. Following the launch of the ZEV Pledge for public fleets at COP, the Governor of Washington State issued Executive Order 21-04, mandating state government fleets to be 100% zero emission for light-duty fleets by 2035 and for medium duty and heavy-duty vehicle fleets by 2040.

Alongside our transport policy work, the ZEV Community continued to deliver a range of peer learning forums and webinars, as well as showcase action and progress of leading governments through media materials, such as the "Talking ZEVs" social media video series launched in February 2022.

In the industry system we continued to drive the innovation of net zero industrial materials.

We held the first SteelZero summit in May 2022 in Copenhagen, at which we announced four new members of the campaign: Vattenfall, Siemens Gamesa, Iberdrola and Volvo Cars. Together with another recent joiner, Maersk, these companies highlight the shift in the SteelZero membership base to a wider range of sectors as well as an enhanced international reach. We

are starting to see how the campaign can have an impact, as British Steel recently cited SteelZero as a critical factor in making its decision to set a science-based target (one of the 2030 requirements of the SteelZero buyers' commitment).

Members have highlighted policy issues as a key topic and in advance of the SteelZero summit we launched the SteelZero global policy paper. This sets out six policy principles that governments must adopt to support the global decarbonisation of the steel industry and is intended to enable business to advocate for the essential changes needed across sectors, regions, supply chains and partnerships.

Alongside our work on steel, we launched ConcreteZero in July 2022. Building on a year-long process to curate an active community of corporate buyers and wider stakeholders, we developed a commitment framework and announced the first 17 corporate members of the campaign.

In the built environment system, we supported a call to action on product efficiency, led by the International Energy Agency (IEA) and UK Government in the run-up to COP26.

We leveraged our EP100 initiative to bring a business voice to the call for the doubling of efficiency of four types of electrical appliances which are responsible for 40% of total final electricity use in buildings: lighting, refrigeration, air conditioning and electrical industrial motors. In the run-up to Buildings Day at COP26, we worked closely with the World Green Business Council, our partner for the EP100 Net Zero Carbon Building Commitment, including the relaunch of this commitment to include embodied carbon.

In the food system we worked alongside governments, businesses, and farmers to introduce sustainable agriculture and livestock.

The Under2 team's work on mitigation actions identified through the Climate Pathways Project has led to 10 farmer field schools being established in Madre de Dios, Peru, and over 150 farmers received training in deforestation-free livestock practices as part of the Alliance for regenerative ranching in the Peruvian Amazon (AGRAP) project funded by UK PACT.

Future plans for the year 2022-23

- Roll-out of the RE100 strategy to address policy barriers to corporate sourcing of renewables in key markets.
- Extension of our transport work to medium and heavy-duty vehicles with the launch of the EV100+ commitment.
- Internationalisation of our SteelZero work, with targeted initiatives in the US, India and South Korea.
- Focused workstreams as part of our ConcreteZero initiative to drive change across the wider supplier and policy making community: 1) Measurement of carbon intensity in concrete; 2) Reporting; 3) Definitions and benchmarks; and 4) Standards and specifications.
- Action collaborative projects developed in partnership with business to drive action on energy efficiency in the built environment.
- Further scoping of our food system work to address methane emissions from agriculture and food waste through Under2 and business interventions.

Developing and leveraging solutions which create maximum, measurable impact

Governments affirmed their commitment ahead of COP26

In the run up to COP26 68 state, regional and city governments affirmed their urgent commitment to addressing the climate crisis by signing up to a range of cross-sector actions ahead of 2030. This was part of a global call from non-state actors in recognition of the increased impacts of climate change and their critical role in addressing it.

This process was led by Governor Jay Inslee of Washington State, supported by First Minister Sturgeon of Scotland, and Governor Yang of Chungnam, other governments from the Under2 Coalition, the U.S. Climate Alliance, and C40. It highlighted the need to move beyond 2050 targets and focus on the actions in the coming decade needed in order to keep global temperature rises no higher than 1.5°C.

Members of Under2 have increasingly sought support from Climate Group in the area of finance to implement their climate goals. This is particularly the case among our developing country members and at COP26, 50 Latin American state and regional governments of the Under2 Coalition put out a statement calling on donors, investors, funders, banks and other institutions to close the financing gap needed to accelerate climate action here and boost global efforts in the fight against climate change.

Our knowledge hub enhances peer learning

This year, Climate Group Knowledge Hub was established as part of an ongoing process to enhance our member engagement and peer learning goals for both Under2 and Business Action campaign members.

New Under2 MoU enhances ambition

During the year we diversified and innovated our accountability workstream to reflect the enhanced ambition of the new Under2 MoU that was agreed in the run up to COP26. Since its launch, 80 governments in the Under2 Coalition have signed the commitment in the new MoU to be net zero by 2050 as a Coalition. The team is pushing the whole Coalition to sign the new commitment by COP27.

Following discussions with CDP we set out a new transparency process to monitor the actions of Under2 Coalition that is more in line with leading practice. This includes aligning to net zero as an ambition marker and the exploration of machine learning, AI, and remote sensing as means to gather more accurate and live-time data on climate action and impacts. We have secured funding to run a pilot project to use satellite imaging and machine learning technology to provide states and regions with up-to-date greenhouse gas (GHG) emissions data – in partnership with Climate TRACE and seed funding from ClimateWorks Foundation. This project started in spring 2022.

Accountability and the integrity of climate pledges was a headline issue at COP26 and the UN Secretary General announced the creation of a Group of Experts to propose clear standards to measure and analyse net zero commitments from non-state actors – both business and governments. We prepared submissions to that process and were invited to give feedback directly to them in May 2022.

Future plans for the year 2022-23

- We will roll out a new member offer for the Under2 Coalition in late 2022 following the Under2 General Assembly at Climate Week NYC in September.

- We will focus on the next phase of our Climate Pathways Project with the support of the Norwegian International Climate and Forest Initiative (NICFI).
- We are looking to develop a States and Regions leaders' group from within the Under2 Coalition co-Chairs and Steering Group to drive even greater ambition.
- We will further develop our impact framework and utilise our knowledge hub in a more systematic manner to ensure that learning and accountability are tied into our programmatic work with both governments and corporates.

Being an inspiring climate influencer

Climate Week NYC delivered on accelerating climate action and 'Getting it Done'

Climate Week NYC 2021 was held in September 2021 and was a hybrid event, held against the backdrop of a covid-19 surge in New York city itself. Despite the complexity this posed, our achievements across the week included:

- Eight out of ten US federal officials leading on climate change took part in the week.
- Other firsts for speakers included - EU Commission President, NY Governor, Bill Gates and Jeff Bezos, and leaders of their related philanthropic funds.
- US late-night talk shows hosted a 'climate takeover' to mark the week.
- Over 30 Climate Group hosted events.
- Over 500 events in total, across Climate Week NYC.

At COP26 we focused on social and environmental justice, corporate and financial sector collaboration and increasing the ambition of the Under2 commitments

Across five roundtables we convened 70 business and policy leaders on issues such as embedding social and environmental justice, and a discussion on how corporates might better coordinate influence on scope 3 emissions. A 'Banking on Systems Change' event brought together 13 major banks; at the event, we discussed the importance of demand side signals, building on a strategic Climate Week NYC partnership with Oliver Wyman. We hosted a significant evening reception, bringing together over 150 key sub-national actor stakeholders as well as running events operations to support the Under2 General Assembly and RouteZero.

Events across the rest of the year are also increasing in number and influence, including the inaugural US Climate Action Summit that took place in April with nearly 400 virtual attendees and speakers including Gina McCarthy, US National Climate Advisor. In India, our events focused on the country's strategy for net zero.

We are sharing successes and solutions to barriers to show what is possible

In Southeast Asia we have built a continuous dialogue on the issue of policy barriers to corporate sourcing of renewables. RE100 coverage of Korea's export sector vulnerability to clean energy demands was followed-up through events at Climate Week NYC and COP26 on policy barriers to renewables in Asia. This continues through a new focus on G20 countries' performance on renewables. In support of this work, we have targeted global energy influencers in our external communications, increasingly through digital marketing techniques.

We used RouteZero thought leadership, media and events to attract significant actors to the agenda. Similarly, we worked hard to ensure that the COP26 declaration on transport and the commitments towards it received widespread media coverage, including in the Financial Times.

For the Under2 Coalition, we focused on significant moments during the year to raise profile and ambition. We celebrated that the Coalition had reached 50% of global GDP in scale and its intention to become a net zero coalition. We worked with high-profile advocates, including the UN, Michael Bloomberg and Nigel Topping and leaders such as First Minister Sturgeon to enhance the commitment to the new, net zero level of climate ambition. In India, Maharashtra's joining and encouragement of net zero actions in its cities also successfully raised the profile of Under2. The Under2's presence and announcements at COP saw 400 media articles, and over the year it was featured in The Times, BBC, The Times of India, and many more.

We are continuing to work on building our events to support the growth and impact of our work, with events on SteelZero and ConcreteZero playing a key role in increasing external stakeholder

visibility and commitment to these campaigns. We are also increasingly using digital media to support our campaign growth objectives.

Future plans for the year 2022-23

- Delivering a stand-out, back in-person Climate Week NYC for the week of 19 September 2022. We want to deliver renewed global focus on speeding-up action and address the interconnected, global, energy, economic and climate crises.
- Ensuring the overall positioning of Climate Group reflects the current climate situation, where the world is well off-track to reach the 2030 50% emissions reduction target.
- Continued roll-out of communications strategies for our main systems of work, increasing their influence and international reach.
- Further building our digital marketing operation in support of our largest membership operations, including Under2 membership, RE100 and EV100.
- Utilising strategic and targeting communications and digital marketing to support the continued member growth of our newest initiatives, EV100+, ConcreteZero and SteelZero.
- Utilising communications to drive as many states as possible to up their commitment to a Net Zero trajectory.

Achieving organisational excellence

We continue to focus on upskilling our people and staff wellbeing.

Our staff is at the heart of our organisation and our biggest asset. We are prioritising upskilling of our staff to support our ambitious growth strategy by developing learning maps and expanding our mentoring and coaching programmes.

We recognise that all individuals are unique and should be treated equitably. We embrace and value the diversity of thoughts, ideas, and ways of working that people from different backgrounds, experiences, and identities bring, we create a richer environment in which to succeed. As such, we strive to increase diversity in our staff and to address representation and justice issues in our work.

We have been expanding our footprint globally to maximise our impact and optimise our strategy delivery.

Our registration of a Representative Office in China, in line with the iNGO regulations, was finalised in January 2022. With a growing team based in our Beijing office we are well-placed to again fully engage in the country to accelerate climate action. We have been focused on setting up the required operation infrastructure and ensure post-registration compliance requirements are met in full.

The operationalisation of our Europe office in The Netherlands was a key focus for us this year and we will be looking to build out our local work there.

In the Financial Year 2021-22 we focused on diversifying our income sources to mitigate the large fluctuations in donor behaviour and outlook which have characterised the COVID-19 period.

Some of our most innovative areas of work have included our growing portfolio of industrial decarbonisation projects like SteelZero and ConcreteZero. These projects, together with our new operations in Europe and China and strong programme growth in India, are bringing Climate Group into dialogue with a new cohort of funding partners. We expect the current trend of growth in institutional climate philanthropy to continue as the pandemic impact recedes and we are optimistic about continued growth of foundation grant-making for our programmes in future.

Corporate income continues to perform well. A 'hybrid' (in-person/digital) Climate Week NYC in 2021 attracted excellent sponsorship, though other planned events throughout the year saw lower than expected income. Corporate membership income growth has remained strong, and we expect this to continue. We are also focusing on new corporate product development including new membership products, and corporate-funded Action Collaboratives in preparation for launch in early 2023.

As with the FY 2020-21, the most difficult area for income generation was government and statutory funding, meaning once more, a challenging income position for the Under2 Coalition. Most of the national government donors to the Under2 Coalition remained unable to commit new support due to budget freezes and cuts. We expect to be able to begin developing new donor partnerships next financial year, though will still face significant headwinds due to the newly emerging threats of inflation, recession and supply chain crises which are greatly impacting climate budgets. A relaunch of the Under2 Coalition membership system is planned for Autumn 2022, to start to rebalance the income model for the Coalition more in favour of unrestricted support – this should help to insulate against future project funding downturns.

For over ten years we have been fortunate to be one of the 107 long-term beneficiaries of the Dutch Postcode Lottery.

Their unrestricted funding support allows us the financial confidence to plan strategically and to respond quickly to breaking news and changes in markets and policy. This flexibility is vital to our ability to deliver impact and to continue to evolve our programmes.



Our philanthropic and government supporters included:

Bloomberg Philanthropies, ClimateWorks Foundation, the Dutch Postcode Lottery, the European Climate Foundation, India Climate Collaborative, the International Climate Initiative (IKI) of the Federal Republic of Germany, John D. and Catherine T. MacArthur Foundation, McKnight Foundation, the Government of Navarra, New York Community Trust, the Norwegian Ministry of Climate and Environment via Norway's International Climate and Forest Initiative (NICFI), Quadrature Capital Foundation, the Government of Quebec, Rockefeller Brothers Fund, Shakti Sustainable Energy Foundation, the Scottish Government, Stiftung Mercator, Stichting SED, Transport Scotland, UK PACT (Partnering for Accelerated Climate Transitions), the Urban Mobility Innovation Fund, the Government of Wales, WattTime Corporation, the We Mean Business coalition and its philanthropic partners, as well as a number of private donors.

Future plans for the year 2022-23

- We will invest to ensure we have the diverse talent required to deliver our goals. As the market for talent tightens and cost of living pressures factor into career choices we will benchmark our offering, upgrade our recruitment brand and broaden our recruitment channels to attract diverse talent. We will focus learning and development on our skills gaps, on enabling greater flexibility of resourcing and growing our own talent. Our Equity, Diversity and Inclusion (EDI) actions will support a broadening of diversity within the organisation, deepening of our inclusive culture and the extension of EDI into our programmes of work.
- We will support our international offices in further developing and setting ambitious business plans to ensure we are maximising our impact.
- We will continue to diversify income streams to support our expanded global presence and mitigate the difficult economic circumstances in most major markets. This includes re-launching the Under2 Coalition membership programme, adding membership programmes for EV100+, SteelZero and ConcreteZero, and developing new types of corporate-financed partnerships. The central driver for these developments is the creation of a new Client Experience team focusing on maximising revenue and climate impact from our government and corporate networks.

3. Financial review and strategy

The Statement of Financial Activities (page 29) and the following notes show our full financial results for the year. Financial information in this report relates to both the UK charity (indicated by “Charity” in the accounts) and the consolidated accounts of the UK, the US and India (indicated by “Group”). Figures in this section reflect the consolidated Group figures.

Income

Our total income for the 2021/22 financial year was £11.2m (2020/21: £11.5m) and as at 30 June 2022 we held £4m of deferred income (30 June 2021: £3.5m).

Our diverse income generation portfolio continued to prove resilient through a challenging period for fundraising. The primary sources of income were as follows:

- Government and foundation grant making of £6.2m (2020/21: £8m). Some significant long term grant funding agreements ended during the year and securing similar new funding streams proved demanding in a challenging fundraising environment where government expenditure was impacted by the competing priorities arising from the pandemic response.
- Sponsorship income for our events including Climate Week NYC plus other smaller events grew to £2.3m (2020/21: £1.6m). As Climate Week NYC returned to a largely ‘in-person’ event, income generation returned to its pre-pandemic growth path.
- Membership and partnership income showed significant growth reaching £2.4m (2020/21: £1.6m) as the membership strategy continued to build momentum. This invaluable source of more predictable income enabled us to progress critical work with confidence in our ability to withstand the impact of external factors.

We continue to grow our network of funding partners and contacts to develop new projects that capitalise on the success of our current programmes and support strategic growth into new areas of work. We have begun funded work in the food and agriculture space, and in the coming year, we will build on our comparative advantage in the fields of industrial decarbonisation and electric transport. We will also be seeking to grow regional programme work in the European Union, China and Latin America, and exploiting novel approaches to emissions tracking and mitigation (including remote sensing and AI) through the Under2 Coalition.

To reinforce our ability to respond flexibly to continuing global economic disruption, we endeavour to protect and increase our unrestricted income. We have implemented the first two years of a three-year plan to transform our membership proposition, with positive results so far, and are developing new event sponsorship and corporate partnership opportunities as well as taking steps to unlock corporate employee giving. We expect additional investment in individual giving infrastructure and resourcing to drive growth in the coming years, whilst The Dutch Postcode Lottery, where we are in the final year of five-year funding cycle, remains a vital and significant source of unrestricted funding.

Expenditure

During the accounting period our expenditure totalled £11.4m (2020/21: £10.2m).

Expenditure increased as we invested in our staffing, which was partly offset by decreased third party contractor, consultancy and other grant expense costs. Other operating costs increased as we returned to post pandemic working and event norms, with the delivery of an in-person Climate Week NYC event, the return to office working in a new premises, and the resumption of business travel.

The expenditure includes collaborative subgrants to other organisations which included CDP Global, World Green Building Council (WGBC), ResponsibleSteel, World Business Council for

Sustainable Development (WBCSD), PManifold and the Center for Climate Strategies. These subgrants, which meet our charitable objectives support the delivery of our programmes.

Financial position at year-end

The balance of total funds as at 30 June 2022 remained largely unchanged at £3.1m (2020/21: £3.3m). The decrease in unrestricted reserves by £0.2m to £3.0m was driven by the small deficit in the year. The reserves include an element designated for expenditure on the new premises, which will thus reduce as the relevant assets are depreciated. As at 30 June 2022, the designated reserve balance is £0.5m, the reduction from the initial value of £0.65m reflecting the up-front operating expenditure relating to the move and office set up and depreciation incurred during the year.

Our North America operations have benefitted from increasingly successful income generation from corporate sponsorship at Climate Week NYC since 2016, and more recently from growing membership income.

Our Indian operations have continued to expand through restricted grant income supporting delivery of our core initiatives locally. International grant-makers are the primary source of income and we expect this to continue as funders continue to prioritise India as a key emerging region for climate investment.

As stated in previous years, China forms part of our ambitious plans, and we have completed the process of opening a new Representative Office. We have begun to build a team that can deliver our goals for the region as our activity gathers pace.

Finally, to further support our plans for global growth, we have delivered on our plans to open an office in the Netherlands to optimise programmatic funding and delivery opportunities within the EU.

Reserves policy

Climate Group's objective is to seek to maintain unrestricted reserves at a level which would enable the Charity to withstand any short-term financial risks and protect and maintain its long-term viability. The Trustees continue to maintain the target level of unrestricted reserves at 3-6 months of unrestricted expenditure. However, given the global economic uncertainty, the Trustees are comfortable that we maintain a position at or above the upper end of this target range. The fact that we are above the target range has enabled us to plan to continue to invest in developing our operations in China and the Netherlands.

As at 30 June 2022, the unrestricted reserves of £2.5m (2020/21: £2.6m), excluding designated reserves of £0.5m (2020/21: £0.65m), represents approximately 6 months of unrestricted expenditure.

Going concern

Climate Group, like many charities, is dependent on voluntary contributions from funders and ongoing relationships with our partners to meet its future commitments. Climate Group's strategic planning, annual financial plan and ongoing financial performance review processes include forecasts of income, expenditure and cash flows, which take into consideration the current economic climate and its potential impact on our income streams alongside our planned expenditure.

Economic uncertainty continues as the world recovers from the impact of COVID-19, and now responds to the war in Ukraine, and the related global energy crises. Major markets (especially the US) continue to unlock, and funders (especially foundations and corporates) appear to be responding with increasing urgency to make up for the time lost in 2020 and 2021. We therefore do not foresee any material risk to income in the year to 30 June 2023 but remain vigilant for the need to deploy mitigating actions.

Overall, given the level of reserves, no debt, strong cash flows and robust relationships with partners, donors and funders, we consider Climate Group is well placed to manage the business risks it faces.

The Trustees have a reasonable expectation that the charity has sufficient resources to operate for the foreseeable future and believe that there are no material uncertainties that call into doubt the ability of Climate Group to continue as a going concern.

Managing principal risks and uncertainties

The Trustees are responsible for ensuring that major risks facing Climate Group are appropriately managed and that there are effective and adequate risk management and internal control systems in place to manage strategic and operational risks. Our risk management processes outline the approach we use to identify and manage risks. Identified major risks are regularly reviewed and their potential impact assessed. Strategies and controls to manage each risk appropriately are in place, with some subject to continuing improvement and to mitigate any residual level of risk where this is inevitable. The risk register, including reports from quarterly reviews, are reviewed by the Executive Management Team and Finance and Audit Committee. The Board of Trustees annually reviews the risk register, with a further mid-year review following Committee review.

The principal risks identified are:

Global Expansion

As we expand our teams in China, Latin America and the European Union, and work with local partners in Australia, South Korea and Japan, our cost base is growing and so is the complexity of managing our global operations. The global UK based team works closely with local leadership and local experts to manage the respective legal, HR and compliance risks. Raising funds in regions where we work with partners, can often impose high transaction costs on the process of income generation. To mitigate the risk of such transaction costs becoming a barrier to overall fundraising success we are deepening our collaboration between regional teams and central fundraising staff on developing robust partner directories to enable greater bidding opportunities as a sub-grantee/sub-contractor and working across global management to tightly prioritise the most promising options for thematic regional growth. We are also reviewing our expansion model and developing impact indicators that will enable us to prioritise areas for expansion to maximise impact.

Programme Delivery

The increased scale and scope of Climate Group's programmatic work and complexity of delivery across multiple systems and geographic markets requires close monitoring to ensure we do not see any decline in the effectiveness of project delivery which could reduce our impact to accelerate emission reductions. Strong system strategies should mitigate against this, and we are also developing impact measures for each of our systems to ensure our delivery is not impacted and to enable us to mitigate any potential impact. We are further continuing with our cross-team and cross-office forums to ensure best practices across all our offices.

We face continuing challenges in income generation for the Under2 Coalition and our Under2 programmes. We plan to relaunch our Under2 Coalition membership in the first quarter of 2023, which will increase our unrestricted income. We are also planning new donor partnerships next financial year. The risks to the global economy, however, are significant and as we have seen in the last 2 years government funding is the most impacted, so we are watching this very closely.

Reputation

There is increasing international scrutiny of the extent to which climate commitments from businesses and governments are being delivered. As Climate Group increases its footprint with these actors, through our programmes, partnerships and sponsorship, the risk of challenge to our organisation on the suitability of those relationships also grows.

We have put in place strong processes to assess the potential risks of both new members and partnerships. For our programmes, we regularly review our criteria for membership. In the minority of cases, where members have not reported against their commitments or undertaken activity which is not in-line with the principle of their commitments, we have addressed that with them. We have also further strengthened our due diligence process for sponsorship.

We believe this will be an area of continuing challenge and so we're reviewing how we might further strengthen our approach to accountability. We are also mindful of who we need to engage with to fulfil our mission. To have real world impact, we must work with organisations who still have a great deal to do in taking climate action, rather than just those who've already done the most.

People

The tight employment markets in the US and UK are impacting our recruitment timelines which may impact our project delivery. We are focusing on strengthening our employee value proposition including reviewing our recruitment and onboarding process, our Learning & Development offering and our brand.

4. Structure, governance and management

Structure

The Climate Change Organisation, which is known as and trades as Climate Group, is a company limited by guarantee registered in England and Wales under company number 4964424 and charity number 1102909. It was incorporated in November 2003 and gained charitable status in March 2004. Climate Group's statutory objects and powers are established in a Memorandum of Association, and the company is governed under its Articles of Association.

Climate Group is also represented by legal entities in the US, India and the Netherlands, with a Representative Office in China, which enables us to hire staff and raise and direct funds towards our work internationally. These legal entities work closely with the UK charity, with local board positions for members of our Board of Trustees and Executive Management Team strengthening international relationships. Our head office's relationship with the regional offices is underpinned by legal agreements, which cover co-ordination of work programmes and licensing of the name and trademarks to the regional representatives.

Board of Trustees

The members of the Board of Trustees are Directors for the purpose of company law and Trustees for the purpose of charity law. Members of the Board who served during the period and up to the date of this Report are set out below.

The Climate Group Board of Trustees currently comprises nine unpaid Trustees, who are also the Directors of the company limited by guarantee. The Memorandum and Articles of Association provide that Trustees may be elected to serve for three years and can be re-elected for a second term. After six years, Trustees must take a minimum 12 months' break before being eligible for re-appointment. Trustees meet quarterly, with additional meetings if required, and delegate the day-to-day operations of the organisation to the Executive Management Team headed by the Chief Executive. All Trustees give of their time freely and no remuneration was paid in the year.

Chair

Mike Rann (Global Nominations and Governance Committee - Chair)

Members

Zoë Ashcroft (Deputy Chair) (Global Nominations and Governance Committee - Member)

Andrew Clark (Finance and Audit Committee - Chair)

Viki Cooke

Jeffrey B. Gracer

Victoria Keilthy (Finance and Audit Committee - Member)

Meryam Omi

Amber Rudd (Board EDI sponsor)

Retired during the year

Abyd Karmali (December 2021)

Joan MacNaughton (March 2022)

Retired post year-end

Sumant Sinha (October 2022)

Trustee recruitment and induction

The Trustees look for a range of skills for representation on the Board when recruiting and appointing new Trustees, including familiarity with the ways that leading businesses and governments should respond to climate change. Our current Board includes members with finance, communications, business, government and legal expertise.

The induction of new Trustees is tailored to the skills, knowledge and expertise of each individual. Our Chair and Chief Executive brief new Trustees on recent progress, future plans, legal structure and finances, as well as Trustees' obligations in their role. Trustees also meet with members of the Executive Management Team to fully understand Climate Group's programmes, and the systems and processes which support them. Wherever possible we also encourage prospective Trustees to observe one or two Trustee Board meetings to familiarise themselves with our work before formal election.

Board committees and working groups

The Board is supported by committees and steering and working groups. The Finance and Audit Committee, which meets quarterly, and more frequently if required, has oversight of our finances, budgeting and fundraising performance, considers our risk management plan, reviews and recommends remuneration strategies and policies and meets with and obtains reports from the organisation's auditors. The Global Nominations and Governance Committee is comprised of board members from both our UK and US boards, and meets as required to review the structure, size and composition (including the skills, knowledge, experience and diversity), and give full consideration to succession planning, of each of Climate Group's boards and any advisory groups, and to consider specific organisational governance requirements. Our Global Risk Management Committee is comprised of board members from both our UK and US boards and meets as and when required to consider risks associated with the receipt of charitable donations and sponsorship for events run by Climate Group. The Climate Week NYC Board Steering Group meets monthly, is comprised of members from both our UK and US boards, and provides strategic oversight on our annual key event, Climate Week NYC.

Executive Management Team and Scheme of Delegation

The Trustees have set out a scheme of delegation. While retaining overall responsibility for Climate Group, ensuring it is solvent and well run, its assets are safeguarded, it complies with relevant laws and regulations and it delivers its charitable objects, the Trustees delegate some matters to the Chief Executive and thereon to the Executive Management Team, member details of which can be found below.

The key matters delegated by the Trustees to the Chief Executive are the formulation and proposing of the organisation's strategic plans, annual budget and policy approaches; the implementation of the strategy; the day-to-day management and operationalisation of all work and programmes; and the implementation of decisions of the Board. The scheme of delegation is reviewed periodically.

Chief Executive - Helen Clarkson, OBE

Chief Operating Officer - Ana Mates

Executive Director, Under2 and Solutions - Tim Ash Vie (to October 2022)

Executive Director, Development - David Mole

Executive Director, Communications - Luke Herbert

Executive Director, Finance and IT - Alex Moore

Executive Director, Systems Change - Mike Peirce

Statement of Trustees' responsibilities

The Trustees (who are also Directors 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the charitable company will continue on that basis.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company; and to enable them to ensure that the financial statements comply with the Companies Act 2006 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditors

Each of the persons who is a Trustee at the date of approval of this report confirms that:

- so far as he/she is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Fundraising code

Climate Group is registered with the Fundraising Regulator. Although we do not undertake any street, door-to-door or private site fundraising, and do not engage with commercial partners or volunteers to raise funds on our behalf, we work to ensure that those fundraising activities we do undertake comply with the law and regulations as it applies to charities and fundraising.

We also take our responsibilities to protect vulnerable people seriously and where any fundraising activities involve vulnerable people, we follow relevant guidance.

During the reporting period, Climate Group received no fundraising complaints from members of the public.

Remuneration policy

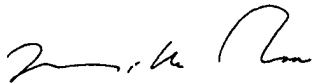
The salaries of Climate Group staff are periodically benchmarked against comparable organisations, including other charities. Climate Group aims to set salaries equivalent to the median for such organisations. All posts are evaluated based on agreed, organisation-wide criteria that determine the grade and salary for the post.

Public benefit

The Trustees confirm that they have referred to the information contained in the Charity Commission's guidance on public benefit when reviewing Climate Group's aims and objectives, and in planning activities and setting policies and priorities for the year ahead.

All of our initiatives, activities and strategies described in this report further Climate Group's charitable objects (a) by helping to protect the world's climate systems through actions that directly or indirectly cut greenhouse gas emissions and (b) by educating the public and interested parties through events, briefings and the publication of freely available reports that track progress of the action undertaken through our programmes and that identify and explain how more can be done.

The Trustees' Report including the Strategic Report, was approved by the Board of Trustees on 28 November 2022 and was signed on its behalf by:



Hon. Mike Rann AC, CNZM
Chair of the Board of Trustees

Key people and advisors

The information shown below pertains to the period between 1 July 2021 and 28 November 2022, the date of the signing of the accounts.

Registered office

The Clove Building
4 Maguire Street
London
SE1 2NQ

Executive Directors, regional offices

- Angela Barranco, Executive Director, NA (The Climate Group, Inc.) (from February 2022)
- Divya Sharma, Executive Director, India (TCCO India Projects Pvt Ltd)
- Yuming Hui, Executive Director, China (Representative Office Beijing) (from January 2022)

Retired during the year

- Amy Davidsen, Executive Director NA (The Climate Group, Inc.) (October 2021)

Directors of our Regional Boards

The Climate Group, Inc.

- Helen Clarkson
- David Crane (to September 2022)
- Gary Doer
- Ariane de Vienne
- Jeffrey B. Gracer
- Joseph M. Kinard
- Douglas P. Lawrence
- Professor Bill Moomaw (to June 2022)
- Mary Nichols (from March 2022)
- Mike Rann (to July 2022)
- Bill Ritter (Chair)

TCCO India Projects Pvt. Ltd

- Helen Clarkson
- Divya Sharma (Wholetime Director and Chair)

The Climate Group (Europe) B.V.

- Zoë Ashcroft
- Helen Clarkson (Chair)
- Joan MacNaughton

Principal Professional Advisers

Solicitors

Winston & Strawn London LLP
CityPoint
One Ropemaker Street
London EC2Y 9AW

Bankers

HSBC Bank plc
34 High Street
Walton-on-Thames
Surrey KT12 1DD

Auditors

Crowe U.K. LLP
55 Ludgate Hill
London
EC4M 7JW

5. Audited accounts

Independent auditor's report to the members and trustees of The Climate Change Organisation

Opinion

We have audited the financial statements of The Climate Change Organisation ('the charitable company') and its subsidiaries ('the group') for the year ended 30 June 2022 which comprise the consolidated statement of financial activities, the balance sheets, the consolidated cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 30 June 2022 and of the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities statement set out on page 22, the Trustees (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

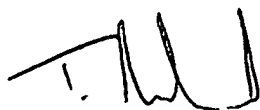
Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Finance and Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

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

Use of our report

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



Tim Redwood
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

24 January 2023

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE GROUP (INCLUDING AN INCOME & EXPENDITURE ACCOUNT)

For the year ended 30 June 2022

Consolidated statement of financial activities

	Notes	Restricted	Unrestricted	Year ended 30 June 2022	Year ended 30 June 2021
		£	£	£	£
Income from:					
<i>Donations and legacies</i>					
Donations & similar funding		-	254,828	254,828	260,840
Grants	2	5,391,302	912,592	6,303,894	8,032,365
		<u>5,391,302</u>	<u>1,167,420</u>	<u>6,558,722</u>	<u>8,293,205</u>
<i>Charitable activities</i>					
Membership and partnership income		-	2,375,697	2,375,697	1,627,259
Sponsorship and other		-	2,301,746	2,301,746	1,598,211
		<u>-</u>	<u>4,677,443</u>	<u>4,677,443</u>	<u>3,225,470</u>
Total income		<u>5,391,302</u>	<u>5,844,863</u>	<u>11,236,165</u>	<u>11,518,675</u>
Expenditure on:					
<i>Raising funds</i>		-	1,260,953	1,260,953	1,015,354
<i>Charitable activities</i>		5,391,302	4,791,453	10,182,755	9,149,484
Total expenditure	3	<u>5,391,302</u>	<u>6,052,406</u>	<u>11,443,708</u>	<u>10,164,838</u>
Net income		<u>-</u>	<u>(207,543)</u>	<u>(207,543)</u>	<u>1,353,837</u>
Other recognised gains and losses					
Gain / (Loss) on revaluation of foreign subsidiaries		-	10,057	10,057	(50,564)
Net movement in funds		<u>-</u>	<u>(197,486)</u>	<u>(197,486)</u>	<u>1,303,273</u>
Reconciliation of funds:					
Total Funds brought forward (as previously stated)		1,714,681	3,234,926	4,949,607	4,949,607
Prior Year Adjustment	18	(1,628,404)		(1,628,404)	(1,628,404)
Total funds brought forward		<u>86,277</u>	<u>3,234,926</u>	<u>3,321,203</u>	<u>2,017,931</u>
Total funds carried forward	11	<u>86,277</u>	<u>3,037,440</u>	<u>3,123,717</u>	<u>3,321,204</u>

All the above results derive from continuing activities. There are no gains and losses other than those disclosed above. The 2021 income from grants has been restated following a change in accounting policy for grant income recognition as described in note 18.

BALANCE SHEETS**COMPANY NUMBER: 4964424**

As at 30 June 2022

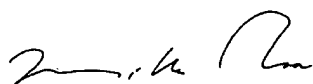
Balance sheet

	Notes	Group 30 June 2022 £	Group 30 June 2021 £	Charity 30 June 2022 £	Charity 30 June 2021 £
Fixed assets					
Tangible fixed assets	7	391,059	16,420	375,334	10,196
Investments	8	86,277	86,277	97,047	97,047
		477,336	102,697	472,381	107,243
Current assets					
Debtors	9	2,462,639	1,900,594	1,933,631	1,945,837
Cash at bank and in hand		5,584,268	5,926,064	5,075,188	5,030,478
		8,046,907	7,826,658	7,008,819	6,976,315
Creditors: amounts falling due within one year	10	(5,400,526)	(4,608,151)	(4,183,184)	(3,791,605)
Net current assets		2,646,381	3,218,507	2,825,635	3,184,710
Net assets	11	3,123,717	3,321,204	3,298,016	3,291,953
Represented by					
Restricted funds		86,277	86,277	86,277	86,277
Unrestricted funds – General		2,537,440	2,584,927	2,711,739	2,555,676
Unrestricted funds – Designated		500,000	650,000	500,000	650,000
Total funds	12	3,123,717	3,321,204	3,298,016	3,291,953

The net movement in funds for the charity only for the year was positive £6,063 (2021: £1,190,872).

The 2021 creditors and restricted funds have been restated following a change in accounting policy for grant income recognition as described in note 18.

The accounts on pages 29 to 47 were approved by the Board of Trustees and authorised for issue on 28 November 2022 and signed on its behalf by:



Hon Mike Rann AC, CNZM
Chair of the Board of Trustees

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2022

Consolidated cash flow statement

	Year ended 30 June 2022 £	Year ended 30 June 2021 £
Cash flows from operating activities:		
Net cash provided by operating activities (Note a)	76,257	121,417
Cash flows from investing activities:		
Payments to acquire tangible fixed assets	(418,052)	-
Change in cash and cash equivalents in the reporting period	(341,795)	121,417
Cash and cash equivalents at the beginning of the year	5,926,064	5,804,647
Cash and cash equivalents at the end of the year	5,584,269	5,926,064

Note to the cash flow statement

Reconciliation of net income to net cash provided by operating activities

	Year ended 30 June 2022 £	Year ended 30 June 2021 £
Net income for the year	(207,543)	364,355
Adjustments for:		
Depreciation charges	45,270	13,188
Investment income	-	-
Foreign exchange differences, excluding gains arising on revaluation of fixed assets	8,200	(49,882)
Loss on sale of fixed asset	-	-
(Increase)/ Decrease in debtors	(562,045)	(980,614)
Increase / (Decrease) in creditors	792,376	774,370
Net cash provided by operating activities	76,258	121,417

Notes to the accounts

1. Accounting policies

a) Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102), and the Companies Act 2006.

The statement of financial activities (SoFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertakings (see Note 16). The results of the charity and its subsidiaries are consolidated on a line-by-line basis. No separate SoFA has been prepared for the charity alone as permitted by Section 408 of the Companies Act 2006.

Accounting policy change and prior period adjustment

Historically Climate Group recognised income aligned with the earlier of the signing of grant agreements, or receipt of cash, at which point Climate Group were deemed to have entitlement to that funding, it was certain, and could be reliably measured. However, over recent years, the requirements of funders providing Climate Group's restricted grants have evolved towards being more prescriptive regarding the deliverables required from the work they are funding. The trustees now believe that a change of accounting policy for the treatment of these grants is appropriate and better reflects the substance of the agreements, Climate Group's funders' requirements, and the nature of Climate Group's activity.

During the year, an assessment of the portfolio of restricted funding agreements has been undertaken to determine the extent to which the terms in the agreements could be assessed as performance related conditions. Where this review identified that entitlement to grant income was conditional on the delivery of the agreed project outcomes then the trustees have concluded that it would be appropriate to change the accounting treatment so that these agreements are treated as performance related grants. All restricted funding agreements continue to be accounted for as restricted income.

It was decided that recognition of income in line with related expenditure, as the best proxy for recognition in line with performance obligations, is now a more appropriate method to reflect the substance of Climate Group's grant agreements.

The trustees believe that this approach will allow for a more informative Trustees' Annual Report and Accounts, better enabling the readers to appreciate and understand Climate Group's activities delivered throughout the financial year and the resulting financial performance. In turn, the reserves position will be clearer and more informative regarding the financial health of the organisation.

This change in policy has been applied retrospectively from 2020 and has been reflected in the 2021 comparatives shown in the accounts.

The effect of this change in policy has been a reduction in the value of restricted grant income and restricted reserves with a corresponding increase in deferred income.

The adjustments in detail are included in note 18.

Going concern

Climate Group, like many charities, is dependent on voluntary contributions from funders and ongoing relationships with our partners to meet its future commitments. Climate Group's planning and performance review processes include financial projections of income, expenditure and

Notes to the accounts

cash flows that take into consideration the current economic climate and its potential impact on the various sources of income and planned expenditure. Climate Group is well placed to manage the business risks it faces given its level of reserves, no debt, a good cash flow and strong relationships with partners, donors and funders. The Trustees have a reasonable expectation that the charity has enough resources to operate for the foreseeable future and believe that there are no material uncertainties that call into doubt the ability of Climate Group to continue as a going concern. The accounts have been prepared on that basis.

Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102.

Sources of estimation uncertainty

The Trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

b) Income

Income from grants is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received, and the amount can be measured reliably.

Donated services and gifts in kind are included at current market value where their value is ascertainable and material. The estimated valuation of gifts in kind is based upon their contribution to the charity.

Membership and partnership income is recognised in the financial statements evenly over the period to which the fee relates.

Grants and donations are credited to income when received or receivable whichever is earlier unless time restricted or performance related in which case they are deferred until these conditions are met.

c) Expenditure

Costs allocated to Raising Funds are those costs incurred in the charity seeking primarily donations and grants.

Expenditure recognised in the period in which a legal or constructive obligation to a third party is created. Expenditure includes attributable VAT which cannot be recovered.

Expenditure is allocated to a particular activity where the cost relates directly to that activity. Support costs are apportioned to activities based on staff time, which is an estimate of the amount of effort attributable to each activity.

Note 3 shows how support costs have been allocated to each activity.

Grant payments to organisations are recognised as expenditure in the financial statements once the Charity is satisfied that the conditions have been met to release the payment.

d) Investments

Investments are a form of basic financial instruments and are recognised at their transaction value

Notes to the accounts

e) Fixed assets and depreciation

Fixed assets are stated at cost and such items of equipment are capitalised where the purchase price exceeds £1,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.

Depreciation is provided on all tangible assets at rates calculated to write each asset down to its estimated residual value on a straight-line basis as follows:

Office equipment - 3 years
Furniture and fixtures - 3 years

f) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund together with a fair allocation of support costs.

Unrestricted funds are donations and other income receivable or generated for the objects of the charity. Unrestricted funds set aside for a particular purpose are shown as designated.

g) Pension costs

Contributions to the defined contribution scheme are charged to the SoFA as incurred.

h) Operating leases

Rental costs under operating leases are charged to the SoFA on a straight-line basis over the lease life.

i) Foreign currencies

Transactions in foreign currencies are recorded at the average rate of exchange during the period. Foreign currency balances have been translated at the rates of exchange ruling at the balance sheet date. The results of overseas operations and their balance sheets are translated at the closing rates of exchange at the end of the period.

j) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

k) Creditors and provisions

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

l) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Notes to the accounts

2. Grants

	Restricted	Unrestricted	Year ended 30 June 2022	Year ended 30 June 2021
	£	£	£	£
Corporations	-	82,482	82,482	22,103
Governments	1,179,325	-	1,179,325	3,294,799
Foundations & NGOs	4,211,977	830,110	5,042,087	4,715,463
	<u>5,391,302</u>	<u>912,592</u>	<u>6,303,894</u>	<u>8,032,365</u>

3. Analysis of total expenditure

	Direct staff costs £	Other direct costs £	Total direct costs £	Support staff costs £	Other support costs £	Total support costs £	Year ended 30 June 2022 £	Year ended 30 June 2021 £
Cost of raising funds	723,760	53,978	777,738	301,558	181,657	483,215	1,260,953	1,015,354
Charitable activities	4,185,005	3,259,527	7,444,532	1,708,831	1,029,392	2,738,223	10,182,755	9,149,484
Total 2022	<u>4,908,765</u>	<u>3,313,505</u>	<u>8,222,270</u>	<u>2,010,389</u>	<u>1,211,049</u>	<u>3,221,438</u>	<u>11,443,708</u>	<u>10,164,838</u>
Total 2021	<u>4,581,989</u>	<u>3,085,045</u>	<u>7,667,034</u>	<u>1,357,378</u>	<u>1,140,426</u>	<u>2,497,804</u>		

Other support costs comprise:

	Year ended 30 June 2022 £	Year ended 30 June 2021 £
Premises	634,827	168,154
Other office costs	227,341	47,759
IT	226,156	198,892
Audit	75,339	55,701
Legal and professional	304,580	268,915
Exchange differences	(513,925)	288,674
Other	255,079	112,331
	<u>1,209,397</u>	<u>1,140,426</u>

Notes to the accounts

4. Net income / (expenditure)

is stated after charging:

	Year ended 30 June 2022 £	Year ended 30 June 2021 £
Operating lease rentals – buildings	609,476	161,844
Depreciation	45,270	13,188
Fees payable to charity auditors: audit of the charity's annual accounts	23,625	22,500
Fees payable to other group auditors: statutory audit of subsidiary accounts	40,214	19,000
Other services	48,116	14,201
	766,701	230,733

5. Staff costs

Staff costs during the period amounted to:

	Year ended 30 June 2022 £	Year ended 30 June 2021 £
Wages and salaries	5,161,785	4,528,855
Social security costs	540,876	461,825
Employer's pension contributions	485,176	409,314
Other staff costs	386,167	225,411
	6,574,004	5,625,405
Temporary staff	345,151	313,962
	6,919,155	5,939,367

Included within staff costs above is £nil (2021: £nil) relating to termination costs. There were £nil worth of ex-gratia payments made during the year (2021: £23,880).

The average number of employees in the year was 128 (2021:106).

No volunteers contributed to our core programmatic work in either the current or prior year.

Notes to the accounts

Number of employees with emoluments exceeding £60,000 in the year was:

	2021/22		2020/21	
	UK	Rest of World Number	UK	Rest of World Number
£60,000 - £70,000 p.a.	4	-	6	-
£70,001 - £80,000 p.a.	-	-	-	-
£80,001 - £90,000 p.a.	1	1	2	2
£90,001 - £100,000 p.a.	5	1	3	-
£100,001 - £110,000 p.a.	-	-	1	-
£110,001 - £120,000 p.a.	1	-	-	-
£160,001 - £170,000 p.a.	-	-	-	1

Retirement benefits are accruing to the higher paid staff under defined contribution schemes or equivalent overseas. Employer contributions of £68,350 (2021: £67,223) were made during the year.

The key management personnel of the group are the members of the Executive Management Team (EMT), as noted on page 21. The total employee benefits for the EMT were £1,054,334 (2021: £1,046,853) inclusive of employer's pension and national insurance costs.

6. Trustees' remuneration and expenses

No Trustee received any remuneration during the year (2021: nil). Expenses incurred by Trustees during the year totalled to £327.90 (2021: nil).

Notes to the accounts

7. Tangible fixed assets

Group	Office equipment	Total
Cost	£	£
At 1 July 2021	55,329	55,329
FX Revaluation	2,892	2,892
Additions	418,052	418,052
Disposals	(7,486)	(7,486)
At 30 June 2022	468,787	468,787
Depreciation		
At 1 July 2021	38,909	38,909
FX Revaluation	1,035	1,035
Charge for the period	45,270	45,270
Disposals	(7,486)	(7,486)
At 30 June 2022	77,728	77,728
Net book value		
At 30 June 2022	391,059	391,059
At 1 July 2021	16,420	16,420
Charity	Office equipment	Total
Cost	£	£
At 1 July 2021	42,336	42,336
Additions	406,876	406,876
Disposals	(6,770)	(6,770)
At 30 June 2022	442,442	442,442
Depreciation		
At 1 July 2021	32,140	32,140
Charge for the period	41,738	41,738
Disposals	(6,770)	(6,770)
At 30 June 2022	67,108	67,108
Net book value		
At 30 June 2022	375,334	375,334
At 1 July 2021	10,196	10,196

Notes to the accounts

8. Investments

	Group 30 June 2022 £	Group 30 June 2021 £	Charity 30 June 2022 £	Charity 30 June 2021 £
Seed capital investment fund	86,277	86,277	86,277	86,277
Investment in subsidiaries	-	-	10,770	10,770
	86,277	86,277	97,047	97,047

9. Debtors

	Group 30 June 2022 £	Group 30 June 2021 £	Charity 30 June 2022 £	Charity 30 June 2021 £
Trade debtors	1,406,862	805,533	755,895	518,956
Other debtors	327,024	37,366	305,787	25,382
Due from subsidiary companies	4	-	491,464	416,249
Prepayments	488,197	233,390	139,933	174,443
Accrued income	240,552	824,305	240,552	810,807
	2,462,639	1,900,594	1,933,631	1,945,837

There is an amount that is over a year included in Other Debtors (2021: nil)

10. Creditors: amounts falling due within one year

	Group 30 June 2022 £	Group 30 June 2021 £	Charity 30 June 2022 £	Charity 30 June 2021 £
Trade creditors	545,556	369,546	502,072	358,916
Taxation and social security	247,877	265,447	228,105	227,462
Other creditors	33,894	10,710	30,326	8,525
Accruals	576,821	480,903	461,329	418,163
Short term loans	-	-	-	-
Deferred income	3,996,379	3,481,545	2,961,352	2,778,539
	5,400,527	4,608,151	4,183,184	3,791,605

Notes to the accounts

10. Creditors: amounts falling due within one year (continued)

Deferred income

	At 1 July 2021 £	Released to income £	Deferred in the year £	At 30 June 2022 £
Membership	983,054	(983,054)	1,274,257	1,274,257
Restricted grants	1,514,979	(4,939,146)	4,726,937	1,302,770
Unrestricted grants	283,489	(283,489)	384,325	384,325
Charity total	2,781,522	(6,205,689)	6,385,519	2,961,352
The Climate Group Inc/TCCO India	700,024	(700,024)	1,035,027	1,035,027
Group total	3,481,546	(6,905,713)	7,420,546	3,996,379

The 2021 income from grants has been restated following a change in accounting policy for grant income recognition as described in note 18

11. Analysis of net assets between funds

Group

	Restricted funds £	Unrestricted funds £	Total funds £
Tangible assets	-	391,059	391,059
Investments	86,277	-	86,277
Net current assets/(liabilities)	-	2,646,381	2,646,381
Net assets at 30 June 2022	86,277	3,037,440	3,123,717

Charity

	Restricted funds £	Unrestricted funds £	Total funds £
Tangible assets	-	375,334	375,334
Investment in subsidiaries	-	10,770	10,770
Investments	86,277	-	86,277
Net current assets/(liabilities)	-	2,825,635	2,825,635
Net assets at 30 June 2022	86,277	3,211,739	3,298,016

Notes to the accounts

Prior year analysis of net assets between funds

Group

	Restricted funds £	Unrestricted funds £	Total funds £
Tangible assets	-	16,420	16,420
Investments	86,277	-	86,277
Net current assets/(liabilities)	-	3,218,506	3,218,506
Net assets at 30 June 2021	86,277	3,234,926	3,321,203

Charity

	Restricted funds £	Unrestricted funds £	Total funds £
Tangible assets	-	10,196	10,196
Investment in subsidiaries	-	10,770	10,770
Investments	86,277	-	86,277
Net current assets/(liabilities)	-	3,184,710	3,184,710
Net assets at 30 June 2021	86,277	3,205,676	3,291,953

12. Movement in funds of the Group

	Balances at 1 July 2021 £	Income £	Expenditure £	Adjustments £	Transfers & exchange differences £	At 30 June 2022 £
Restricted funds						
Business Action		3,173,227	(3,173,227)	-	-	-
Summits		-	-	-	-	-
Under2		2,218,075	(2,218,075)	-	-	-
Operations	-	-	-	-	-	-
Seed Capital Investment Fund	86,277	-	-	-	-	86,277
Total restricted funds	86,277	5,391,302	(5,391,302)	-	-	86,277
Unrestricted funds						
General funds	2,584,926	5,844,863	(5,902,406)	-	10,057	2,537,440
Designated funds	650,000	-	(150,000)	-	-	500,000
Total unrestricted funds	3,234,926	5,844,863	(6,052,406)	-	10,057	3,037,440
Total funds	3,321,203	11,236,165	(11,443,708)	-	10,057	3,123,717

The 2021 creditors and restricted funds have been restated following a change in accounting policy for grant income recognition as described in note 18

Notes to the accounts

Business Action	Funding for our suite of complementary corporate commitment campaigns – namely RE100, EV100, EP100. They are designed to create demand signals that can shift markets in the energy, transport, manufacturing, industrial and building sectors in favour of clean technologies, as well as influence the wider policy landscape in this direction. In addition to the core commitment campaigns, offshoot projects (for example on cooling efficiency, EV policy etc) are funded as part of wider ecosystems of work on renewables, energy productivity and clean transport. Funding for our LED programme to investigate key remaining barriers to scale up of LED public lighting and to produce recommendations for action. Collectively, these corporate initiatives provide building blocks for 21st-century business models that will help to meet science-based climate targets and deliver net-zero emissions economies.
Summits	This mainly captures our annual event in New York called Climate Week NYC. It also includes other events we undertake as an organisation where separate funding is received.
Under2 Coalition	Funding to act as Secretariat to the Under2 Coalition and programmatic work directly with government signatories and partners of the Under2 MOU to drive climate ambition and action. The Under2 MoU is a commitment by sub-national governments to limit their GHG emissions by 80% on 1990 levels or 2 tons per capita by 2050. Funding is received for our key sub-national government initiatives. This includes our 'Future Fund' which is funding to empower sub-national governments to accelerate the shift towards a prosperous 'net-zero' future for all, through strategic funding that supports climate activities in developing and emerging economy regions.
Seed Capital Investment Fund	This is an investment in Oikocredit International Share Foundation. This investment is reviewed twice a year and we have considered that no impairment is necessary as we deem the full value recoverable. See note 8.
Designated Funds	Initially a designated fund of £0.65m to support the costs of the UK office move relating to fixtures and fittings, furniture, and other costs relating to the move. As costs were expensed, and assets are depreciated, the fund will be amortised appropriately. The fund now stands at £0.5m.

Prior year movement in funds of the Group

	Balances at 1 July 2020	Income	Expenditure	Adjustment s	Transfers & exchange differences	At 30 June 2021
	£	£	£	£	£	£
Restricted funds						
Business Action	-	3,019,157	(3,019,157)	-	-	-
Summits	-	28,675	(28,675)	-	-	-
Under2	-	4,106,078	(4,106,078)	-	-	-
Operations	-	-	-	-	-	-
Seed capital investment fund	86,277	-	-	-	-	86,277
Total restricted funds	86,277	7,153,910	(7,153,910)	-	-	86,277
Unrestricted funds						
General funds	1,631,653	4,364,765	(3,010,928)	(350,000)	(50,564)	2,584,926
Designated Funds	300,000	-	-	350,000	-	650,000
Total unrestricted funds	1,931,653	4,364,765	(3,010,928)	-	(50,564)	3,234,926
Total funds	2,017,930	11,518,675	(10,164,838)	-	(50,564)	3,321,203

Notes to the accounts

13. Taxation

The Climate Change Organisation has charitable status and as such is partially exempt from tax on its income and gains to the extent that they are applied to its charitable objects

14. Leasing commitments

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2021/22	2020/21
	Land and buildings	Land and buildings
	£	£
Expiring within 1 year	257,952	345,025
Expiring between 1 and 2 years	459,952	5,383
Expiring between 2 and 5 years	1,639,829	-
	2,357,733	350,408

15. Grant and other commitments

Climate Group delivers some of its programmes in collaboration with other partners. It provides subgrants to these organisations to provide the delivery of set outcomes, which form their obligations. The payment of these subgrants is contingent on both the continued funding from our institutional donors and all parties fulfilling the conditions of the grant deliverables. These future commitments have not yet been recognised, as their conditions have not yet been met and/or the restricted funding have not yet been approved or recognised by Climate Group, as they fall after the year end.

The amount of grant commitments falling within one year is £0.3m (2021: £0.6m).

The amount of grant commitments falling between one and five years is nil (2021: nil).

Major grant payments recognised in 2021/22 is set out below.

Recipient		2022 £'000
CDP Worldwide	RE100 UK	343
World Green Building Council	EP100 UK	139
ResponsibleSteel Ltd	Steel Zero UK	69
		551

These grants have been allocated as other direct costs for charitable activities in note 3.

Notes to the accounts

16. Subsidiaries

The Charity is represented by legal entities incorporated in the United States (registered 5 March 2004), India (registered 21 May 2018), the Netherlands (registered 12 November 2019) and China (registered 1 January 2022). The Charity also has a dormant trading subsidiary in the UK called The Climate Change Organisation Services Ltd (registered on 1 May 2007). These entities operate in close conjunction with the UK charity with a relationship maintained via places on the Boards for members of the charity's management team. All activities undertaken by these entities are in furtherance of Climate Group's mission and objectives. The Charity, the US and Dutch companies have a year-end date of 30 June and due to local regulations, the Indian company has a 31 March year end and the China Representative Office has a 31 December year end.

	Balance at 1 July 2021	Subgrants received	Subgrants made	Expenses incurred	Payments made/ received	Exchange differences	Provision against intercompany balance	Balance as at 30 June 2022
	£	£	£	£	£	£	£	£
Organisation								
The Climate Group, Inc.	342,339	909,439	7,395	-	(977,944)	106,706	-	387,935
TCCO India Projects Pvt. Ltd	69,894	-	-	(240,119)	266,571	(7,181)	-	89,165
The Climate Group (Europe) B.V.	4,016	(180,329)		189,490		1,217		14,394
	416,249	729,110	7,395	(50,629)	(711,373)	100,742	-	491,494

Prior year transactions between the charity and related organisations

	Balance at 1 July 2020	Subgrants received	Subgrants made	Expenses incurred	Payments made/ received	Exchange differences	Provision against intercompany balance	Balance as at 30 June 2021
	£	£	£	£	£	£	£	£
Organisation								
The Climate Group, Inc.	428,894	1,098,523	(219,947)	-	(886,310)	(78,810)	-	342,339
TCCO India Projects Pvt. Ltd	29,138	-		(283,131)	323,887		-	69,894
The Climate Group (Europe) B.V.				4016				4016
	458,032	1,098,523	(219,947)	(279,115)	(562,423)	(78,810)	-	416,249

Notes to the accounts

United States – The Climate Group, Inc.

	2021/22 £	2020/21 £
Net assets as at 1 July 2021	186,226	383,771
Income for the year to 30 June 2022	3,387,151	2,563,147
Net surplus for the year to 30 June 2022	(24,132)	(197,545)
Net assets as at 30 June 2022	161,845	186,226

China – Climate Group (UK) Beijing Representative Office

	2021/22 £	2020/21 £
Net assets as at 1 July 2021		-
Income for the year to 30 June 2022	100,927	-
Net surplus for the year to 30 June 2022	(21,461)	-
Net assets as at 30 June 2022	(21,461)	-

India – TCCO India Projects Pvt. Ltd

	2021/22 £	2020/21 £
Net assets as at 1 July 2021	(10,333)	28,580
Income for the year to 30 June 2022	403,568	292,212
Net surplus for the year to 30 June 2022	(24,776)	(51,475)
Net assets as at 30 June 2022	(36,764)	(22,895)

Netherlands – The Climate Group (Europe) B.V.

	2021/22 £	2020/21 £
Net assets as at 1 July 2021	(6,959)	-
Income for the year to 30 June 2022	180,293	-
Net surplus for the year to 30 June 2022	(14,354)	(6,959)
Net assets as at 30 June 2022	(21,337)	(6,959)

Notes to the accounts

17. Prior year Consolidated Statement of Financial Activities

	Notes	Restricted	Unrestricted	Year ended 30 June 2021 £
Income from:		£	£	£
<i>Donations and legacies</i>				
Donations & similar funding				
Grants	2	-	260,840	260,840
		7,153,910	878,455	8,032,365
		<u>7,153,910</u>	<u>1,139,295</u>	<u>8,293,205</u>
<i>Charitable Activities</i>				
Membership and partnership income		-	1,627,259	1,627,259
Sponsorship and other		-	1,598,211	1,598,211
		<u>-</u>	<u>3,225,470</u>	<u>3,225,470</u>
Total income		<u>7,153,910</u>	<u>4,364,765</u>	<u>11,518,675</u>
Expenditure on:				
<i>Raising funds</i>		-	1,015,354	1,015,354
<i>Charitable activities</i>		7,153,910	1,995,574	9,149,484
Total expenditure	3	<u>7,153,910</u>	<u>3,010,928</u>	<u>10,164,838</u>
Net income	4	<u>-</u>	<u>1,353,837</u>	<u>1,353,837</u>
Other recognised gains and losses				
Gain / (Loss) on revaluation of foreign subsidiaries		-	(50,564)	(50,564)
Net movement in funds		<u>-</u>	<u>1,303,273</u>	<u>1,303,273</u>
Reconciliation of funds:				
Total funds brought forward		1,714,681	3,234,926	4,949,607
Prior Year Adjustment		(1,628,404)		
Total funds carried forward	11	<u>86,277</u>	<u>3,234,926</u>	<u>3,321,203</u>

The 2021 income from grants has been restated following a change in accounting policy for grant income recognition as described below

18. Accounting policy change

The change as explained in note 1 (a) results in a prior year adjustment, requiring a retrospective restatement by:

- Restating the comparative amounts for the prior period (financial year 2020/2021)
- Restating the opening balances for the prior year (2020/2021) of liabilities, and reserves

The effect of this change is a reduction in the value of restricted grant income and corresponding restricted reserves and creditors.

Notes to the accounts

Please see the below table for the effect of the changes on the consolidated statement of financial activities and the balance sheet.

	Restricted	Unrestricted	Total
June 2020 (start of comparative period)			
Funds as previously reported	2,704,162	1,931,654	4,635,816
Accounting policy change	(2,617,885)	-	(2,617,885)
Restated reserves at 30 June 2020	86,277	1,931,654	2,017,931
June 2021 (comparative period)			
Total income as previously reported	6,164,428	4,364,765	10,529,193
Accounting policy change	989,482	-	989,482
Restated income at 30 June 2021	7,153,910	4,364,765	11,518,675
Total expenditure as previously reported	7,153,909	3,010,929	10,164,838
Accounting policy change	-	-	-
Restated expenditure at 30 June 2021	7,153,909	3,010,929	10,164,838
Closing reserves as previously reported	1,714,681	3,234,926	4,949,607
Accounting policy change	(1,628,404)	-	(1,628,404)
Restated reserves at 30 June 2021	86,277	3,234,926	3,321,203
Total debtors as previously reported at 30th of June 2020	919,980		919,980
Accounting policy change	-		-
Restated debtors at 30 June 2020	919,980		919,980
Total debtors as previously reported at 30th of June 2021	1,900,594		1,900,594
Accounting policy change	-		-
Restated debtors at 30 June 2021	1,900,594		1,900,594
Total creditors as previously reported at 30th of June 2020	2,205,378		2,205,378
Accounting policy change	2,617,885		2,617,885
Restated creditors at 30 June 2020	4,823,263		4,823,263
Total creditors as previously reported at 30th of June 2021	2,979,748		2,979,748
Accounting policy change	1,628,404		1,628,404
Restated creditors at 30 June 2021	4,608,152		4,608,152