

Institute for European Environmental Policy, London

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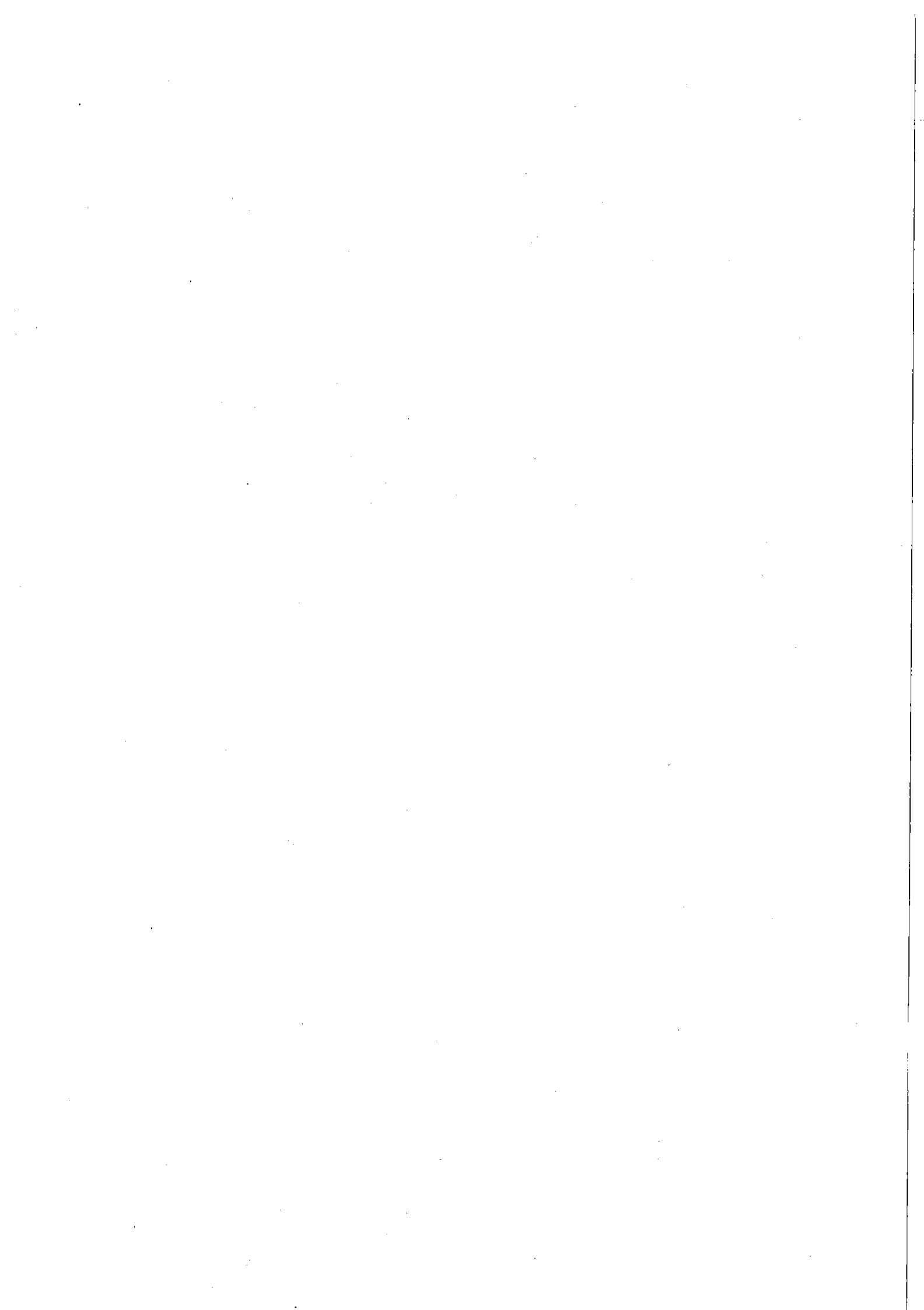
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FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2012



Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2012

The Institute for European Environmental Policy, London (trading as the Institute for European Environmental Policy or IEEP) is a charity and a registered not-for-profit company limited by guarantee and, as such, is governed by its Memorandum of Association and Articles of Association. Directors, who are also the charitable Trustees, present their annual report together with the audited financial statements for the year ended 31 December 2012, which have been prepared in accordance with current statutory requirements, the Memorandum and Articles of Association and the Charity Statement of Recommended Practice issued in 2005.

Objects and Policies of the Charity

The Institute is a leading centre for the analysis and development of environmental and related policies in Europe. The objects are to advance the education of the public in the protection of the environment in the continent of Europe and in all forms of national and international policy relating thereto, and to carry out research and enquiry into all aspects of the environment and environmental policy.

These objects are achieved by all appropriate means, including research, the provision of advisory services and preparation of commissioned reports, the organisation of conferences and training courses, and the publication of manuals and other books, reports, articles and newsletters, utilising both digital and paper media. Offices are maintained in London and Brussels, and there is also a full time staff member in Finland. The Institute has associate colleagues and functional links with similar institutions across Europe.

Aims and Activities

The Institute's aims are both educational and to contribute to a better environment through improved policy interventions, particularly within the European Union (EU). These two goals are pursued mainly through projects which address many different aspects of European policy-making and implementation. We look for practical and robust solutions in a complex legislative environment based on a knowledge of European and related national policies developed over more than thirty years.

Policies developed at the EU level have enormous influence on decision making and outcomes on the ground throughout Europe. However, they are often formulated in terms which are bureaucratic and opaque to the non-specialist and this can be a major barrier to understanding and to participation in the policy making process. There is an enduring role for independent and well informed organisations to explain and interpret both the policy making process and the policy measures themselves to improve their transparency and accessibility to the non-specialist citizen. This is an important strand in the Institute's work. It is pursued through the preparation of policy papers, briefings, newsletters, three public websites, presentations to conferences and university students, published reports and other means. We seek to broaden the understanding of European policies affecting the environment and improve access to decisions which set standards and goals at a European and sometimes global level.

A second major strand of our work is the analysis of policy development, design and implementation. We aim to cover not only 'traditional' environmental policies, such as pollution control, climate change, waste management, the regulation of chemicals and nature conservation, but also many of the sectors with the greatest environmental impacts, such as transport, agriculture, fisheries and

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regional policy. Our objective is to contribute to the deployment of effective and relevant policies, in particular at the European and national levels.

Many of the most important environmental issues, such as climate change, nature conservation and excessive natural resource use, cannot be tackled by national policy alone. A more concerted European effort is required, involving the formulation and practical application of appropriate measures addressing the variety of conditions within the continent. Work by the Institute considers inter alia:

- Which are the most important and pressing concerns for the environment;
- The extent to which European policy is confronting the issues of the day;
- How effective existing measures have been in addressing the issues they were designed to tackle – taking account of the highly variable conditions to be found within Europe;
- Improvements in policy that are necessary or desirable; and
- Where policy needs to develop in the future.

By engaging actively with decision makers and the wider policy community we aim to present information, analysis and arguments that will lead to better policy and a more sustainable Europe attuned to environmental concerns. The right policy commitments in Europe are essential, not only to meet challenges in this continent but also those arising in the quest for a more sustainable planet.

Review of the Year

Objectives and priorities for 2012

During 2012 we remained committed to the broad goals of undertaking analysis designed to improve policies affecting the environment, advancing understanding of EU policy and facilitating the engagement of civil society in the policy debate. Work on a wide range of specific issues of topical importance was balanced by an active engagement with the development of certain more strategic policies in Europe of environmental significance.

Our overall aim in 2012 was to make further progress in delivering the various objectives in our 2009-14 plan. We focussed in particular on a set of key policy decisions in Europe with long-term implications for the environment. These concerned the next strategic Environmental Action Programme for the EU stretching ahead to 2020, the next EU budget for 2014 – 2020 and the Common Agricultural Policy, as well as more specific policy developments related to biodiversity, water, climate and energy. Our thematic priorities elaborated below reflected this. Linked to this was a commitment to strengthen external communication.

Our specific objectives for 2012 were:

Cross-cutting priorities

- Contributing to the maintenance of a forward looking and sufficiently ambitious agenda on the environment in Europe in the face of economic and competitiveness concerns;
- Contributing to the stronger integration of environmental concerns in the EU Budget, including Cohesion Policy;
- Focussing more attention on biodiversity conservation as a strategic and cross cutting issue at the EU and other governance levels, articulating the benefits to the environment and society more broadly;

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Specific Priorities

- Developing a substantive, convincing and fit for purpose Seventh Environmental Action Programme for the EU;
- Contributing to more environmentally sustainable Common Agriculture and Fisheries policies;
- Helping to shape more sustainable policy on biofuels and bioenergy in Europe;
- Contributing to the renewal of EU water policy taking place in 2012 and the Blueprint for future policy; and
- Helping to move towards a constructive and effective EU position in key international negotiations, including those on climate change.

Achievements and performance 2012

In another busy year the Institute worked on more than 30 major projects and more than 60 other projects. Our wider contributions to public policy was built on this foundation, together with the accompanying analysis of European and national policies and the associated interactions with stakeholders and experts that took place in all programmes during the year. Our projects covered topics as varied as climate change, agricultural and rural policy, water management, biofuels, marine litter, "green infrastructure", and the protection of biodiversity. A majority of the projects consisted of policy research and analysis and the preparation of written reports. We engaged actively with the wider public through our regularly updated websites, the publication of a range of papers, reports and books, the circulation of briefings, participating in high level events, organising seminars and conferences, and engaging in capacity building and training.

Amongst our principal policy achievements of the year were:

- A major contribution to the review of EU water policy and the subsequent forward looking "Water Blueprint", covering the next period of policy development.
- Helping to shape some of the key ideas in the forthcoming EU "Environmental Action Programme" providing the framework for new policy thinking from 2014-2020.
- Demonstrating in a series of studies and events how climate policy could be made a central theme of the EU budget for the next period to 2020. Early in 2013, European Heads of State agreed that 20% of most elements in the budget would be utilised to address climate objectives. This was a major advance for the EU, despite the difficulties that will be encountered in implementing it, and the Institute played a major role in the debate leading up to this over five years.
- Playing a prominent role in the contentious debate about the greening of the Common Agricultural Policy; focussing attention on some of the key mechanisms converting a general principle into a workable policy. We have played an active part in making the case for greening, which is likely to apply to up to €83 billion of public spending over the next seven years, but there remains a great danger of "greenwash" unless the precise policy mechanisms chosen are appropriate.

Outlined below are some of our most notable projects and initiatives during the year.

a.) Strategic EU environmental policy

Whilst much has been achieved through the sustained advance of environmental policy in Europe over the last 40 years, this is not always fully recognised. During periods of economic downturn and pre-occupation with the competitiveness of Europe, relative to other parts of the world, there is often a

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tendency to retrench and to be cautious in adopting new environmental measures. This was the case in Europe in 2012. Understandably, there was a strong focus on economic recovery, the creation of new jobs and the stabilisation of the Euro. Attention shifted away from environmental concerns in many institutions which had been supportive until relatively recently. This does not mean that there is a fundamental conflict between the environment and economic prosperity; indeed, there are many synergies. However, it creates a stronger onus on those concerned to address environmental problems to demonstrate both that they are important and that they can be reconciled to economic and social objectives, over a reasonable time scale.

This challenge was one to which we gave high priority during the year. It emerged both in concrete debates, for example about protecting biodiversity from fast-track development, and more strategically in debates about the future of EU environmental policy. Particularly strategic was the discussion over the EU's forthcoming seventh "Environmental Action Programme" which will run from 2013 to 2020. We made a major investment in contributing to the preparation of this document because of its potential influence over policy formation and implementation and because it represented an opportunity to confront critical issues, such as the best means of improving implementation of EU environmental law, on the ground. We engaged closely with Commission staff, MEPs, national government representatives and other stakeholders in a series of workshops and short papers. The Danish "Villum Fonden" Foundation was the primary source of financial support for this initiative.

Some of our arguments were reflected in the proposal for the Seventh Environmental Action Programme when it was launched by the European Commission in December. While it lacks ambitious targets this is not entirely surprising in the current political climate. One of our main aims has been to promote a focus on the longer term beyond 2020 and the scale of global challenges on climate, biodiversity and the excessive use of natural resources. Steps need to be taken to move forward environmental policy in relation to these critical issues even at a time when more immediately ambitious proposals are not politically feasible. We outlined this case and made a range of specific proposals in a report entitled "Running out of time? Stepping up action for Europe's Environment". This was published in December at a conference we organised in Brussels with the European Commissioner Janez Potocnik the keynote speaker on future policy.

In parallel, we undertook a number of projects during the year to highlight particular aspects of EU approaches to climate and resource efficiency. We engaged with a group of national governments and the European Commission on means to advance the Roadmap for a Resource Efficient Europe, undertook some technical studies in this field and, towards the end of the year, joined partners from a range of countries in a new study "DYNAMIX" which looks at policy measures to reduce resource consumption and their potential effectiveness.

b.) The EU budget and the environment

The priorities for EU expenditure are agreed on a regular cycle for a period of seven years in a protracted debate to agree the so-called Multi-annual Financial Framework (MFF). When a new budget is being discussed, this offers important opportunities to shape how EU money will be spent for the coming period since many of the relevant policies are revised at the same time. Discussions on the next budget (for 2014-2020) and policies linked to it built up strongly in 2012. The Institute contributed to several different aspects of this debate, including the extent to which funds should be earmarked for pursuing climate objectives, the challenge of "greening" the CAP and the best means of integrating biodiversity concerns into spending programmes.

Amongst many studies and initiatives in this area was work for DG Clima of the European Commission on integrating climate change concerns into two major areas of EU expenditure, namely the Common Agricultural Policy and the Cohesion Policy (which supports the economic development of the poorer

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regions of the EU). This proved highly relevant to the subsequent negotiations on the detailed regulations being drafted for these areas of policy during the year. It complemented our other work on "mainstreaming" climate objectives into spending plans funded by the Netherlands' Ministry for Infrastructure and the Environment published in March and a major report for DG REGIO on Cohesion Policy and Sustainable Development. At the same time we organised further meetings on this theme and produced updated bulletins with funding from the European Climate Foundation. Work with the European Parliament included a report for the Budget Committee on "Innovative Financial Instruments" which was presented to the Committee in June. Without support from the EU budget the chances of generating the necessary level of investment in new technology, renewable energy, and energy efficiency are much diminished. But even where this is recognised, there have been concerns about the feasibility of achieving this outcome in practice and this was the focus of some of our work.

While much of the focus of this effort was on the European Institutions and government representatives meeting in Brussels, we also had exchanges with stakeholders in individual countries. In September we organised a workshop for Polish authorities in Warsaw to help them to understand the best means of taking climate change impacts into account and advancing climate objectives in future expenditure programmes.

The great bulk of the EU budget is spent in the form of grants and direct aid but there is a growing trend to consider other approaches to providing financial support including "financial instruments" such as loan guarantees, bonds, etc. In the latter half of the year we began work in this area, looking at the optimum use of a range of relatively novel financial instruments in particular in the budget period to 2020. The potential here is considerable. Our main study, for DG Clima, will be completed in 2013.

Biodiversity received disappointingly little attention in the EU budget negotiations. Indeed, some areas of biodiversity spending were cut back. However, without efforts to draw attention to the importance of the topic the position almost certainly would have been worse. In July, as part of our effort we co-organised a conference with the Commission in Brussels as part of a study on biodiversity proofing the EU budget, which was well attended by relevant experts and national authorities. In a difficult climate it is all the more important that national authorities and NGOs in particular make best use of the EU funds that are available for biodiversity. To this end the Institute began work in partnership with WWF on a new handbook to show which sources of EU funding could be utilised for national and more local nature conservation projects from 2014 onwards. This is supported by the Commission and is also due to be published in 2013.

c.) Biodiversity Conservation

There were several different themes to our biodiversity related work in 2012. One was the role of biodiversity in the primary EU funds as noted above. Another was the development of new thinking around a "no-net-loss" biodiversity policy for the EU in a project which started in the second half of the year and seeks to identify concrete ways in which the EU's commitment to preventing the further loss of biodiversity in Europe by 2020 can be achieved in practice. This is particularly important given the failure to meet a similar target by 2010.

Another theme was the further development of work by ourselves and partners on "The Economics of Ecosystems and Biodiversity" (TEEB). One strand was showing how the broad principles of TEEB can be employed in practice at national level. We contributed to a handbook providing practical guidance that will be widely distributed to national authorities in 2013. We worked closely with partners in Finland on a project for the Nordic Council showing how TEEB could be applied in a group of countries in Scandinavia, resulting in a well received and widely distributed report.

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The TEEB approach is relevant to the implementation of the Convention for Biological Diversity and its Strategic Plan for 2011-2020. During the year we were working on a project to identify lessons learned from incorporating the values of biodiversity and ecosystems into the development of National Biodiversity Strategies and Action Plans.

The TEEB approach can be applied to types of ecosystem and habitat as well as to countries. In the second part of the year, a new project began for the secretariat of the Ramsar Convention on the TEEB approach for water and wetlands on a global basis. This will be launched at World Wetlands Day in 2013.

A related theme for the year was the greater inclusion of biodiversity within new approaches to the Green Economy, which was a recurrent priority for environment policy within Europe and on the global stage. Some interpretations of this concept pay particular attention to climate issues and the depletion of natural resources but fail to appreciate the relevance of biodiversity conservation to the building of a more sustainable economy. We engaged in several projects showing how biodiversity conservation and restoration can be an integral part of the Green Economy, including work on removing environmentally harmful subsidies. A paper for UNEP on the Green Economy presented at the Rio+20 Conference in the summer (where we also presented work on TEEB) made exactly this point.

Other themes for the biodiversity programme included the role of "offsetting" in nature conservation policy, reviewing pilot projects in the UK. We contributed to a new set of "Natura 2000 Network Farmland Management Guidelines" for DG Environment, which provide practical information for the managers of protected areas throughout Europe.

Finally, we were active in the debate on the future of biodiversity policy in the UK which was under the microscope following an important review and White Paper. We helped to organise and chair a meeting for a sizeable group of stakeholders in London in the spring.

d.) Agriculture

The Institute made a major contribution to the escalating debate and negotiations over the greening of the CAP which continued throughout the year. There were different strands to this. One was a succession of studies which looked at important components of the policies being advanced to make greening a reality. Most critical of these was the concept of introducing an obligation on most arable farms to manage seven per cent of their land as "Ecological Focus Areas" (EFAs). These would be areas including ditches, field corners, buffer strips, terraces and where the declining environmental value can be increased, creating new habitats for example. This is a concept that IEEP has been instrumental in developing over time and which we believe has considerable potential to deliver environmental value added if policy is well designed and implemented. Early in the year we completed a report for a UK Land Use Policy Group to review the evidence and demonstrate the key principles that need to be incorporated into the design of EFAs to maximise their environmental impact. This was followed by a successful workshop in Brussels attended by many officials and key players and by more detailed work and exchanges with officials later in the year.

Another key element in the proposals for greening is a set of changes to cross compliance. Here we carried out a study for DG Clima on new cross-compliance standards for maintaining soil organic matter and protecting wetlands and carbon rich soils. This has proved interesting and quite sensitive and we have continued to engage in policy discussions with relevant officials and stakeholders.

Perhaps the most critical part of the CAP for the environment is the Rural Development "Second Pillar" which includes funding for agri-environment measures and organic farming. In this sphere we were also active during the year. Amongst other projects we helped the RSPB to design and deliver a

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European conference in May to underline the significance of rural development measures and the importance of sustaining an adequate budget. We looked ahead at future rural development programmes with a paper for a new Focus Group of the European Network for Rural Development considering how to improve the delivery of environmental services through future rural development policy. This was presented at a large stakeholder event in Brussels. Successful policies require good design, adequate funding and a willingness to learn from past successes and failures. We stressed the importance of maintaining high quality advice for farmers enrolling in agri-environment measures. This was a theme that emerged again in a short study for the OECD looking at aspects of agriculture's role in the Green Economy.

Outside the nexus of work on the CAP we also addressed other topics, including the farming systems of particular environmental value in Europe. We continued work on High Nature Value Farming and the policies to support it, both at a European level and in a project in Croatia. Later in the year we again worked with partners on a review of EU Policy on organic farming due to report in 2013.

Beyond this we engaged both in more strategic thinking and practical guidance on the ground. A study for DG Environment on "Land as an Environmental Resource" explored how Europe might be able to meet its environmental requirements from land, including clean water, biodiversity and fertile soils, alongside economic priorities such as food supply. Will there be sufficient land in future to meet bioenergy and forestry requirements as well as food and a more sustainably managed environment? This project will help to inform the European Commission about future policy on all aspects of Land Use.

The Institute continues to manage the CAP2020 website, which provides an interactive online platform to share thoughtful commentary and analysis on the future development of European agriculture and rural development policy. The website continues to be popular as a forum for discussion between stakeholders. Our staff have also continued to be in great demand to speak at events and conferences on the future of EU agricultural and rural policy in different parts of Europe.

e.) Water and Marine

In Europe, 2012 was the year of water. We played a significant role in the debate on whether existing European policy is fit for purpose in a changing world, adapting to the realities of climate change for example, and in the strategic vision for the future of policy, the Water Blueprint which was launched in November. We helped to assemble the evidence and to review submissions from different stakeholders on the performance of water policy, with particular reference to the Water Framework Directive, which is still in the process of being implemented at national level. While the overall quality of water in Europe is improving and European policy has played a major role in this, progress in some areas remains disappointing. For example, the broad principle of water pricing has yet to be applied on the scale which is required, not least in the agriculture sector. The Blueprint to Safeguard Europe's Waters made a number of recommendations for policy change and better implementation of existing EU water law. It drew on many sources, including a study for DG Environment on developing different policy options at a European level.

Water was the theme of "Green Week" in Brussels where there is an opportunity for the broader public as well as more specialist people to engage in European debates. The Institute was well represented and we chaired one of the meetings on the Water Framework Directive.

On marine issues we continue to examine the merits and potential of the ecosystem approach to marine management publishing a paper on the topic as well as introducing it into stakeholder meetings. Our work on fisheries was scaled back in response to limitations in funding but some useful projects continue. For example, we wrote three briefings on:

- Advancing ecosystem based fisheries management;

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- Stakeholder participation in fisheries management; and
- Recovering fish stocks.

These were distributed as part of a project with UNEP and complemented our occasional newsletter on European fisheries policy, *El Anzuelo* newsletter.

f.) Energy and Climate policy

With relatively little progress on international climate negotiations during the year, the main focus of our programme was internal EU policy and particularly on the role of bioenergy, including biofuels, which has become an important topic for the Institute.

We undertook two projects on international climate finance and the role which Europe can play in helping to achieve both mitigation and adaptation goals in other parts of the world. One of these was a study for the Belgian Federal Authorities on how Belgium might contribute to the new \$100 billion committed by developed countries to climate projects in the developing world. It is particularly important that such funding achieves real value added for the climate.

Energy conservation policy in Europe has tended to lag behind policy on energy supply, although it is a particularly critical means of reducing long term emissions and moving to a low carbon economy. We undertook a project with BIO Intelligence Service which looked at progress in one area of policy - the implementation of the new system of energy performance certificates introduced for buildings in an EU directive. We also looked at the link between the energy performance of buildings and their rental value. Certification is seen as a valuable way of helping consumers, including businesses, to make a more informed decision about the buildings they own and occupy.

Biofuels became an important topic on the EU policy agenda. In the autumn the European Commission proposed new legislation which would alter substantially the existing incentives for European governments to deploy biofuels on a growing scale. This is largely in response to the growing appreciation of the large environmental and social impact of producing biofuels from agricultural crops. The Institute has made an important contribution to this debate and drawn attention to the problem of Indirect Land Use Change (ILUC) in a number of publications and meetings. We were pleased that the Commission had responded to these concerns and was proposing mechanisms to address them. We secured funding from the Esmee Fairbairn Foundation to undertake 18 months of work focussed on the policy debate initiated by the Commission proposals. There is fierce lobbying on the industry side and we will be seeking to provide a flow of information and analysis on environment and climate issues which need to be given priority in the eventual policy choices. This will include a new website which was initiated towards the end of the year together with publications and an active programme of outreach to decision makers and where possible a wider public.

Other work on biofuels included an examination of the impact of EU demand for biofuels on global food prices based on analysis in a series of economic models. Biofuel production does increase food prices, although the relationship is complex, as underlined in our report, which was sponsored by Action Aid.

Bioenergy in a broader sense, including wood and other material source from forests, is also growing as a proportion of European energy supply, mainly in response to the EU Renewable Energy Directive. This raises concerns about sustainability and whether current uses of energy from wood supplies genuinely do give rise to significant savings in emissions of greenhouse gases over the timescales that are required to curb global warming. We are giving increasing attention to this topic. It was a key theme in the multi-partner "Biomass Futures Project" where we provided the policy dimension of the exercise. We drew attention to the need to develop new ways of "cascading" wood through different

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uses prior to eventual combustion in an energy system. More fundamentally, we looked at the carbon emissions associated with different biomass exploitation pathways, reviewing current literature in a short study funded by the European Climate Foundation. This concluded that there was not a sound basis for assuming real climate benefits from a significant share of biomass exploitation, particularly whole trees for electricity production and that the current policy needed closer scrutiny. We commissioned a non-technical summary which was widely circulated and received attention by policy makers and the press. Other institutions have also started to publish in this area and a major rethink of the role of bioenergy is increasingly likely.

g.) Europe and the Wider World

We continued to feed into the global climate negotiations where Europe is a key player, mainly through the work of Marc Pallemerts who chaired a number of meetings, working as part of the Belgian delegation. Progress is slow but there are hopes for a new global agreement by 2015 and that this could help to lever an increase in Europe's level of ambition on climate change.

Two staff members represented the Institute at the Rio+20 conference in June. We presented papers on different aspects of the Green Economy, perhaps the most prominent environmental issue at the event, and contributed to various panels. Our policy papers within the Knossos project led by UNEP reached an audience within and beyond Europe.

Europe continues to be a significant driver of progress in international environmental agreements. This brings obligations with it.

The Nagoya Protocol is an important component of the International Convention on Biological Diversity. During the year we completed a report examining in detail different ways of implementing the EU's commitments under this protocol in relation to access of different countries to benefit-sharing. This covered ways of monitoring the utilisation of genetic resources, eg by European companies and ensuring users' compliance with the access legislation of 3rd countries. This contributed directly to EU legislative proposals put forward during the year.

h.) Other Issues

The Institute also worked on projects related to many other topics during the year, including:

- The debate over the environmental performance of Europe's car industry has not diminished and new regulations are being negotiated, including a tightening of standards on CO2 emissions. We were able to contribute to this debate through membership of the EU "High Level" process of policy consultation and development known as CARS21, which reported during the year, accepting the need for greener vehicles. We will be represented at the successor body to CARS21 when it restarts in 2013.
- Effective policies for the management of waste continue to be one of the Institute's areas of speciality. Projects this year included one with partners on the development of guidance on Extended Producer Responsibility, an important principle of waste policy.
- Work on the broader topic of the efficient use of natural resources also continues. Amongst other activities we joined a new partnership of institutes working on ways to improve resource efficiency, ourselves contributing to the examination of what makes policies in this area effective.
- There has been growing interest in exploitation of shale gas in Europe. This raises substantial environmental concerns, particularly in relation to water quality and waste management. We were invited to make presentations on the topic of EU policy and have started work on a study led by partners about whether it is necessary to amend EU legislation to provide adequate safeguards for fracking.

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Plans for the future

The principal aims of the Institute, to contribute to improved understanding, stronger analysis and better policy decisions in Europe, will remain highly relevant in 2013. By helping to shape policies that are sustainable and to engage a wider range of people in the process we will contribute to the wider public benefit. We have identified a number of European policy challenges and debates that are likely to be critical for the environment in 2013 and these will be priorities for our work in the coming year:

Cross-cutting Thematic Priorities

Two of these broadly continue from 2012, two others reflect the changing political priorities and opportunities as well as our own capacity and funding. Our objective will be to contribute:

- To continued momentum in the European environmental agenda, with coherent forward looking policies, including appropriate regulation, being sustained in the face of economic and competitiveness concerns.
- To agreement on a stronger environmental component in the 2014-2020 EU Budget and the main sectoral policies associated with it, particularly in relation to climate and biodiversity mainstreaming and the development of appropriate financial instruments. This includes practical action to translate general principles into more concrete outcomes.
- To the European debate on practical measures to create a green economy with a stronger emphasis on resource efficiency, and an adequate biodiversity component.
- To the more effective implementation of existing EU policies, notably environmental legislation, whether by existing approaches and mechanisms or new ones.

Specific Policy Priorities

As in previous years we will also address a wide range of individual policies in particular areas, some relatively new to us, others where we have an established presence. The five areas for active engagement listed below are certainly not exclusive but each will require sustained effort.

- Agreement on a substantive and fit for purpose 7th Environmental Action Programme.
- Agreement on a new Directive on biofuels and indirect land use change which meets key environmental concerns within the context of a more climate efficient bioenergy policy.
- Securing a range of genuinely effective greening measures within both pillars of the CAP and the mainstreaming of the environment as a cross cutting priority in the next generation of rural policies.
- Translating the principles of TEEB and No Net Loss of Biodiversity into more effective measures on the ground.
- Helping to shape a new European debate on marine litter.

Communication

IEEP strives to make its work widely available to encourage participation by the wider public in European policy debates. We aim to increase the accessibility of European policy questions and decision making processes to the wider community beyond those immediately involved. This is done by publishing and disseminating our work and having different routes to making less technical outreach material available, including through our websites. Certain publications aim to interpret and explain policy issues that often are debated primarily in arcane and specialist language. Over the year we have sought to improve our external communications through adding additional personnel resources to the team, with a regular intern and assistance from new staff members. We have also used new promotional materials at a large conference held in December this year on the Seventh Environmental Action Programme. We continue to work to improve these.

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External communication is made through:

- the publication of project reports and summaries,
- preparing briefings on current areas of interest,
- giving frequent presentations at seminars and conferences,
- producing a quarterly newsletter,
- managing our dedicated 'CAP2020' website on the future of the Common Agricultural Policy as well as a new "Biofuels Exchange" mini-site that provides briefings and resources in relation to the biofuels debate, both in Europe and the UK and
- various other outreach activities, including occasional policy papers, work with journalists and material on our main website

In addition, we provide information and intelligence on European policy developments to the UK statutory nature and conservation agencies.

Our website, (www.ieep.eu) is a central part of our communication effort and is regularly updated with new publications, reports and news items. It features a section that explicitly aims to demystify the EU and its institutions, shedding light on what they do, how EU decision making processes work, how EU legislation affects the environment, and explaining 'eurojargon' and commonly used EU acronyms. The number of visits to the site during 2012 was down in comparison to the same period in the previous year; cookie laws introduced during the year probably were the reason for this. However, the numbers of clicks on "the most popular" reports have increased significantly over the year which is reassuring. Work has also been done to improve IEEP's public profile through social media such as twitter. Twitter followers increased approximately 250% during the course of the year and some high level European Commission officials follow us, including the EU Environment Commissioner, Janez Potocnik. This can lead to click-throughs to our website and it is a further way to spread details of our publications and events and engagement on Twitter has been good.

Our regular electronic newsletter provides a non-technical summary of our work to a wide range of individuals with an interest in policy questions throughout Europe. Numbers of subscribers have remained mostly unchanged over the year although the number of people opening each newsletter is increasing. One edition of the free *El Anzeulo* newsletter was published, focussing on some of the key issues for the Common Fisheries Reform discussions. Other widely circulated material included a paper on European waste policy, partly authored by one of our Trustees, Caroline Jackson.

The major European conference in December looking ahead to environmental challenges not currently receiving the priority they merit drew a set of high level speakers and was our leading communications event of the year.

We are continuing to increase our outreach with an active programme of publications and presentations at conferences. We wrote a paper on EU Waste Law for more general consumption which was well received. In addition, we contribute to both academic journals and more accessible publications. IEEP members of staff have been quoted in ENDS Daily (the leading European newsletter on environmental policy), EurActiv, The Guardian, the Daily Telegraph and more.

During 2012 the Manual of European Environmental Policy ceased to be viable for the publisher as a regularly updated source book. The Institute continues to seek new means for funding the distribution of the important information that the Manual contains.

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We receive regular and positive feedback that our analysis and views reach key players in the policy domain and are respected and taken seriously. Several of our reports during the year fed directly into EU policy decisions or helped to formulate ideas that will influence the evolution of policy in the longer term.

Public Benefit

The Trustees confirm that they have complied with section 4 of the Charities Act 2006 and have due regard to the Charity Commission general guidance on public benefit. The Institute believes that its independent work helps to inform those developing and implementing European policy in such a way that the results are to the benefit of the public as a whole as well as the environment. A large and growing number of our reports are freely available on our website, the accessibility of which we seek to improve progressively over time.

Resources and thanks to staff

During 2012, the number of staff who worked for IEEP for all or part of the year, was forty three including the Director, (2012 Full Time Equivalent FTE: 32, 2011 FTE: 33). Associates and an honorary fellow also contributed to the Institute's work throughout the year, working closely with research staff on a number of projects. Whilst the Institute is not dependent on unpaid volunteers, we welcomed a number of volunteer "interns" throughout 2012 who assisted us on a variety of projects and tasks in both London and Brussels.

The Trustees would like to thank all the staff and volunteer interns who have worked so hard and so ably to deliver the work of the Institute over the past year.

The Institute continued to have offices in central London and Brussels which are also used for conferences and a series of workshops and seminars. In addition we now have a well established presence in Finland and our work is supported by a network of partners and consultants in other European countries.

Financial Review

The Institute's funds have been applied in furtherance of the company's objects, as detailed above and to a small extent for governance of the charity. In addition some surplus office space was rented out and the accounts reflect this income and associated costs. Its assets are held for the efficient operation of the company.

Due to the mix of projects undertaken as lead partner or sub-contracted partner, total gross income in 2012 of £2,633,721 was higher than in 2011: £2,411,674. The increase in income was accompanied by an increase in sums paid to project partners who aided us in the delivery of the research that we contracted. Total expenditure on activities was £2,594,837, an increase on 2011: £2,381,182. Before taking into account losses on foreign currency exchange, the Institute made a surplus in 2012 of £38,884 (2011: £30,492). The net movement in funds for the year, after taking in losses on foreign exchange, was £28,061 (2011: £18,318)

Several significant new research projects were awarded during the year in addition to those continued from 2011. The Institute has been notified of the success of several proposals and tenders which will be undertaken in 2013 and beyond. IEEP contracts and grants are mainly denominated in Euros with some in Sterling and a small number in US Dollars or other currencies. Project costs are generally

Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2012

denominated in the currency of the contract while the majority of core costs are in Sterling. 2012 and 2011 saw losses due to currency movements. Exchange movements also arose from converting bank, debtor and creditor year end balances denominated in currency to Sterling at the year end rate. The resulting net foreign exchange losses for the year were £10,823 (2011: £12,174 loss). It is expected that the volatility in exchange rates will continue and the Trustees have therefore put mechanisms in place to shield IEEP from the most serious effects of this volatility. Exchange movements are regularly monitored by the Finance Committee. In addition the Trustees decided to continue to designate an exchange reserve fund which, after 2012 losses, stands at £50,269 to cover this eventuality. At 31 December 2012, after deducting foreign exchange losses, unrestricted funds stood at £732,496 (2011: £704,435). Further details of the financial performance for the year and reserves are included elsewhere in the Financial Statements.

The Trustees are of the opinion that the assets of the charity at the accounting date are available and adequate, within the normal commercial meaning attributed to those words, to fulfil the obligations of the charity. Other than unfinished projects allowed for in the accounts, the Institute's only significant outstanding commitments are the lease on its London office which runs until 2013, and the lease on its office in Brussels which runs until a break clause in 2013. Subsequent to the year end the Brussels lease was extended to a break clause in 2014 and the London office lease was terminated and a new lease taken on different London office premises

No assets were held on behalf of any other organisation, charity or Trustee at 31 December 2012 (2011: nil). There have been no significant changes in accounting policy in the year.

Due to the nature of the charity's work it obtains the majority of its incoming resources from public sector organisations within the European Union.

Reserves policy

The Trustees consider that it is appropriate for the Institute to hold reserves in order to fund work in progress and as a guard against the risk of an uneven flow of income. The need to fund work in progress is particularly important as the Institute is subject to fluctuations in cash flow arising from the payment arrangements under certain contracts with the European Commission. The Trustees believe that an unrestricted reserve level of £900,000, excluding designated reserves and net fixed assets, would be a reasonable target appropriate to the current scale of the Institute's activities. £900,000 represents approximately six months cover for forecast operating costs, excluding direct project costs, based on the 2013 budget.

At 31 December 2012 total unrestricted funds were £ 732,496 (2011: £704,435). Of this £50,269 were designated as a currency exchange movement reserve, £60,000 were designated for the costs which may arise on termination of the London and Brussels leases and £32,871 (2011: 39,285) were committed to fixed assets, leaving £589,356, broadly equivalent to 4 months expenditure cover, (2011: £544,058 and 3.4 months). These reserves are effectively the charity's working capital and the Trustees consider the level to be adequate at present. However further increases in future are necessary to reach the target reserve level of six months operating costs. The Trustees and staff are committed to increasing the reserves to the target level and are actively pursuing policies to achieve this goal, in particular through close financial monitoring and management by the Finance Committee.

Treasury management policy

IEEP operates principally in Sterling and Euros and has a policy of minimising the risk of adverse exchange rate fluctuations and the cost of transfer by retaining balances in either Sterling or Euros in

Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2012

their original currency for use in paying expenses in that currency to the extent required. Where possible any surplus balances are placed in interest bearing bank deposit accounts.

IEEP seeks to minimise exposure to currency risks in contracts by having sub-contract payments denominated in the currency of the main contract wherever possible and by taking other measures to secure exchange rates in advance where this is felt to be prudent.

Risk management

A risk assessment and management exercise encompassing the strategic direction, operations, finances and staffing of the Institute has been carried out and reviewed by the Trustees, who are satisfied that the major risks to which the charity is exposed have been identified and reviewed and that systems are in place to mitigate the Institute's exposure to the major risks it faces. The Trustees review risks annually as part of an on-going process.

As part of their review in 2012 /13 the Trustees considered that the major risks that IEEP might face were in the areas of potential loss of major funders, competition for funds, longer payment terms offered by some funders, potentially reduced payment or claw-back of income by certain funders, liquidity and recruitment and retention of suitably qualified staff. In respect of all of these matters the Trustees consider that IEEP has adopted policies to minimise any such risks.

Structure, governance and management

The Institute for European Environmental Policy, London ("IEEP") is a Company Limited by Guarantee and not having a share capital and a registered charity. The charity's principal office is in London and there is also an office in Brussels and a presence in Finland.

In accordance with the Articles of Association and provisions of the Companies Act 2006, Trustees/Directors are appointed by applying in writing to become members of the company, and are proposed for election, by the members, as a Director and a member either by ordinary resolution at a general meeting or by written resolution and appointed, if the resolution is agreed by a simple majority of those eligible to vote. Board Directors automatically become the charity's Trustees on appointment. Trustees/Directors generally serve for 4 to 6 years, and are eligible for re-appointment.

The Trustees maintain responsibility for the charity's strategy, governance and risk management. The Board meets quarterly and there is in addition a Finance Committee which also meets quarterly. The Finance Committee of the Board has a remit to maintain an overview of the financial operations and management of the Institute. It also provides help and advice for the Director, and has a duty to ensure the Institute's compliance with the relevant Charity Accounting obligations.

The Trustees appoint the Director of the Institute and delegate to him responsibility for selecting other staff and for the day to day management of the charity. The Trustees also appoint the Company Secretary. Details of the Trustees and officers are shown below.

Trustees are recruited as individuals who bring relevant skills and experience to the Board. Recruitment takes place via contacts in organisations that have environmental interests and expertise or more widely when a particular type of more general management experience is sought.

Induction of Trustees includes being provided with relevant information about the charity and briefings from the Chair of Trustees, the Director of the Institute and meetings with staff and other

Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2012

Trustees as appropriate. Trustee training is made available to those new to trusteeship and where new issues arise.

Details of the charity's wider networks are given elsewhere in the Trustees' report.

Reference and administrative information:

Directors/Trustees

The Directors of the company are also the Trustees of the charity.

Trustees who served during the year and since the year end were:

- Domingo Jimenez Beltran
- Ralph Hallo *
- Sir John Harman (Chair)
- Patricia Henton *
- Dr Caroline Jackson
- Paul Meins *
- Derek Osborn CB
- Fiona Reynolds, DBE Retired 15 January 2013
- John Stoker * Resigned 6 January 2012
- Judith Ward Retired 15 January 2013
- Sir Graham Wynne Appointed 15 April 2013

* Finance Committee Member. Finance Committee Chair was Paul Meins.

Officers

Director of the Institute	David Baldock
Secretary	Claire Froomberg

Registration details

The Institute for European Environmental Policy, London is a Company Limited by Guarantee and not having a share capital with Company number 2458951.

It is also a registered charity with Charity number 802956.

VAT number GB 648 7001 33

Registered Office and Principal office

15 Queen Anne's Gate, London SW1H 9BU, UK to 20 May 2013

11 Belgrave Road, IEEP Offices, Floor 3, London, SW1V 1RB, UK from 20 May 2013

Bankers

National Westminster Bank, Tavistock House, Tavistock Square, London WC1H 9XA

Solicitors

Bates Wells and Braithwaite LLP, 2-5 Cannon Street, London, EC4M 6YH

Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2012

Auditor

Buzzacott LLP, 130 Wood Street, London EC2V 6DL

Relationships with Others

In the year IEEP London had one significant associate institution - in Berlin (Ecologic, Institute for International and European Environmental Policy).

We continue to have a joint venture – “Alliance Environnement”, owned jointly with a French partner, Oréade-Brèche. Further information can be found in Note 16 to the financial statements.

Much of our work is sponsored by other charities, and we are particularly grateful to the following for their support of our work during 2012:

European Climate Foundation

Villum Foundation

Many projects were funded by the European Commission, the European Environment Agency, the Organisation for Economic Cooperation and Development, the United Nations, the UK Department for the Environment, Food and Rural Affairs, the Environment Agency, the UK statutory countryside agencies, the environment ministry in Belgium, and the Dutch Ministry of the Environment and other European ministries and Environmental Agencies. Their continued support is appreciated.

Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2012

Statement of Trustees' Responsibilities

The Trustees (who are also the Directors of Institute for European Environmental Policy for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Standards).

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice (Accounting and Reporting by Charities) (the Charities' SORP);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 presume that the charity will continue in operation.

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

Each of the Trustees confirms that:

- so far as the Trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- the Trustee has taken all 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 charity's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Institute for European Environmental Policy, London
Trustees' Report for the year ended 31 December 2012

Statement of Directors' Responsibilities (continued)

Auditor


Buzzacott LLP was appointed as auditor from 4 November 2009. As auditor in office, Buzzacott LLP will automatically be deemed to be re-appointed under the provisions of the Companies Act 2006 until further notice.

Small Companies Exemption

The above report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

On behalf of the Board:

Mr Paul Meins
Trustee



Date: 13/8/2013

Independent Auditor's Report To the Members of Institute for European Environmental Policy, London

We have audited the financial statements of the Institute for European Environmental Policy, London for the year ended 31st December 2012 which comprise the Statement of Financial Activities; the Balance Sheet; the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 which 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 charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditor

The trustees are also the directors of the Institute for European Environmental Policy, London for the purposes of company law. As explained more fully in the Statement of Trustees' Responsibilities set out in the Trustees' Report, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006;

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

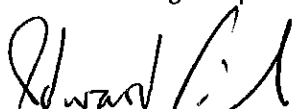
The Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us;

**Independent Auditor's Report
To the Members of
Institute for European Environmental Policy, London**

- the financial statements are not in agreement with the accounting records and returns;
- certain disclosures of trustees' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime or take advantage of the small companies exemption in preparing the Trustees' Annual Report

We have nothing to report to you in respect of these matters.



Edward Finch, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London EC2V 6DL

Date: 20/8/13

Institute for European Environmental Policy, London
Statement of Financial Activities
(Incorporating the Summary Income and Expenditure Accounts)
For the year ended 31st December 2012

	Note	Unrestricted Funds £	Restricted Funds £	Total 2012 £	Total 2011 £
Incoming Resources					
<i>Incoming resources from generated funds:</i>					
		1,107	-	1,107	855
		76,801	-	76,801	78,614
<i>Incoming resources from Charitable Activities:</i>					
	2	50	210,999	211,049	318,970
		2,340,052	-	2,340,052	2,012,928
		4,712	-	4,712	307
Total Incoming Resources		<u>2,422,722</u>	<u>210,999</u>	<u>2,633,721</u>	<u>2,411,674</u>
Resources Expended					
<i>Costs of Generating Funds:</i>					
		76,801	-	76,801	78,614
<i>Charitable Activities:</i>					
		2,239,940	210,999	2,450,939	2,229,771
		67,097	-	67,097	72,797
Total Resources Expended	3	<u>2,383,838</u>	<u>210,999</u>	<u>2,594,837</u>	<u>2,381,182</u>
Net Incoming /(Outgoing) Resources before other recognised gains		38,884	-	38,884	30,492
Other recognised gains and losses					
	3	(10,823)	-	(10,823)	(12,174)
Net movement in funds for the year		28,061	-	28,061	18,318
Fund Balances Brought Forward		<u>704,435</u>	-	<u>704,435</u>	686,117
Fund Balances Carried Forward	12,13	<u>732,496</u>	-	<u>732,496</u>	<u>704,435</u>

All gains and losses arising in the year have been recognised above and arise from continuing operations.

The notes on pages 23 to 30 form part of these Financial Statements.

Institute for European Environmental Policy, London

Balance Sheet as at 31st December 2012

	Note	2012 £	2012 £	2011 £	2011 £
Tangible Fixed Assets	7		32,871		39,285
Current Assets					
Debtors	8	850,158		943,677	
Cash at bank	9	<u>594,761</u>		<u>534,226</u>	
		1,444,919		1,477,903	
Creditors: Amounts falling due within one year	10	<u>(745,294)</u>		<u>(812,753)</u>	
Net Current Assets			<u>699,625</u>		<u>665,150</u>
Total Assets			<u><u>732,496</u></u>		<u><u>704,435</u></u>
Represented by:					
Unrestricted Funds	12		732,496		704,435
Restricted Funds	13		<u>-</u>		<u>-</u>
			<u><u>732,496</u></u>		<u><u>704,435</u></u>

The accounts have been prepared under the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board and authorised for distribution

on 13 / 8 / 2013

and signed on its behalf by:

Mr Paul Meins
Trustee



The notes on pages 23 to 30 form part of these Financial Statements.

Institute for European Environmental Policy, London
Company registration number : 2458951 (England and Wales)

Institute for European Environmental Policy, London

Notes to the Accounts

For the year ended 31st December 2012

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), the Companies Act 2006 and follow the recommendations in Accounting and Reporting by Charities: Statement of Recommended Practice issued in March 2005 (SORP 2005).

The charity has taken advantage of the provisions of the Companies Act 2006 and adapted the Companies Act formats to reflect the special nature of the charity's activities.

The following principal accounting policies have been consistently applied in preparing these financial statements.

Income Classification

Grants are considered to be restricted where the donor attaches conditions to the use of funds and where the outcome will remain in the public domain. Research project income is where the funder is the principal recipient of the project findings and income is considered to be part of the core activities.

Income Recognition

Incoming resources are recognised when the Institute becomes entitled to the income and the amount can be measured with reasonable certainty.

Grant income is recognised in full when the Institute becomes entitled to the income unless it either relates to a grant for a specific future period or is a performance related grant.

Incoming resources receivable under performance related grants and contracts for services provided are recognised to the extent that the relevant work has been performed. Income received in advance of work performed is deferred.

Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Wherever possible costs are directly attributed to these headings. Costs common to more than one area are apportioned on the basis described in Note 3.

Indirect costs are those costs incurred in support of the charitable objectives. These have been allocated to the resources expended on a basis that fairly reflects the true use of those resources within the organisation.

Governance costs are those incurred in the governance of the charity and are primarily associated with the constitutional and statutory requirements.

Foreign Currencies

Transactions during the year in foreign currencies have been translated into sterling at an average rate for the period and closing balance sheet year end balances have been revalued at the exchange rate ruling at that date where applicable. All differences on exchange are reflected in the Statement of Financial Activities. A designated reserve has been set up as part of the unrestricted funds to recognise the possibility that exchange gains may be reversed in future periods.

Pension Scheme Arrangements

The company makes contributions to personal money purchase pension schemes for each eligible employee, the assets of the schemes being held separately from the assets of the company. The pension cost charge represents contributions payable to the schemes. Where employees prefer to make contributions to their own schemes additional remuneration is paid to enable them to be treated on an equal basis. These additional payments are included in gross pay in note 4.

Tangible fixed assets

Tangible fixed assets costing more than £500 are capitalised at cost.

Depreciation is provided on a basis which will write off the cost of fixed assets over their estimated useful lives by equal annual instalments. The estimated life of the fixed assets is four years.

Stocks

No value has been ascribed to the stocks of publications on the basis that the majority of these are given away and it is therefore considered prudent to account for all production costs in the period they were incurred.

Fund Accounting

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor.

Unrestricted funds are funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity. Designated funds are those where the Trustees have set funds aside for particular purposes.

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2012

2 Grants and Donations Receivable	Donations	Grants		
	Unrestricted	Restricted	2012	2011
	£	£	£	£
European Commission various Grants	-	223,354	223,354	245,378
Oak Foundation	-	-	-	15,000
Villum Foundation	-	74,375	74,375	57,196
European Climate Foundation	-	40,711	40,711	21,674
Executive Agency for Competitiveness and Innovation *	-	(8,579)	(8,579)	26,742
IEEA *	-	-	-	(11,181)
Others	50	-	50	50
	50	329,861	329,911	354,859
Movement in deferred income	-	(118,862)	(118,862)	(35,889)
	<u>50</u>	<u>210,999</u>	<u>211,049</u>	<u>318,970</u>

*Negative figures for grants reflect a repayment or reduction in funding previously awarded by donors

3 Total Resources Expended	Direct Project Costs	Staff Costs	Other Costs	2012 Total	2011 Total
	£	£	£	£	£
Costs of generating funds: in respect of property income	-	12,733	64,068	76,801	78,614
Costs of charitable activities in furtherance of the objects:					
Grants	37,028	134,462	39,509	210,999	318,920
Projects	662,662	1,265,506	311,772	2,239,940	1,910,851
Sub Total Research projects	699,690	1,399,968	351,281	2,450,939	2,229,771
Governance	-	47,776	19,321	67,097	72,797
Other resources expended	-	-	-	-	-
	<u>699,690</u>	<u>1,460,477</u>	<u>434,670</u>	<u>2,594,837</u>	<u>2,381,182</u>

(note 4)

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2012

3 Total Resources Expended (continued)

Other Costs include	Costs of generating funds	Projects	Governance	2012 Total	2011 Total
	£	£	£	£	£
Property occupancy costs:					
- operating leases	43,655	139,702	6,257	189,614	178,247
- other	14,875	53,026	2,117	70,018	82,252
Staff planning days	-	4,942	-	4,942	-
Telephone, postage , copying and stationery:					
- operating leases	-	4,572	-	4,572	5,044
- other	5,119	48,086	-	53,205	41,908
Auditors remuneration:					
- current year	-	-	8,000	8,000	7,500
- in respect of prior year	-	-	(1,950)	(1,950)	-
- accountancy and other assurance services	-	12,000	-	12,000	4,000
Payroll services	-	7,917	-	7,917	8,831
Legal and professional	-	1,780	-	1,780	250
Depreciation	-	22,723	775	23,498	16,275
IT and computer support	-	28,870	985	29,855	22,676
Irrecoverable VAT	-	1,361	-	1,361	3,476
Other costs	419	26,302	3,137	29,858	26,561
	<u>64,068</u>	<u>351,281</u>	<u>19,321</u>	<u>434,670</u>	<u>397,020</u>
Other resources expended				-	-
Total other costs				<u>434,670</u>	<u>397,020</u>

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2012

3 Total Resources Expended (continued)

Basis of allocation of staff and other costs

Costs of generating funds: costs and basis of allocation

Nature of cost	Allocation basis	2012 Total £	2011 Total £
Staff salaries and pensions	Estimate of staff time	12,733	14,400
Property occupancy costs	pro rata to staff cost allocation	58,530	64,214
Services and other operating expenses	Actual and estimated use	5,538	-
Professional fees	Actual and estimated use	-	-
Depreciation	pro rata to staff cost allocation	-	-
Total		76,801	78,614

Grant and Project costs and basis of allocation

Nature of cost	Allocation basis	2012 Total £	2011 Total £
Staff salaries and pensions	Estimate of staff time	1,399,968	1,467,489
Property occupancy costs	pro rata to staff cost allocation	192,728	188,526
Services and other operating expenses	Actual and estimated use	114,133	95,003
Professional fees	Actual and estimated use	21,697	9,081
Depreciation	pro rata to staff cost allocation	22,723	15,756
Total costs allocated		1,751,249	1,775,855
Direct project costs		699,690	453,916
Total resources expended on research projects		2,450,939	2,229,771

Governance costs and basis of allocation

Nature of cost	Allocation basis	2012 Total £	2011 Total £
Staff salaries and pensions	Estimate of staff time	47,776	48,357
Property occupancy costs	pro rata to staff cost allocation	8,374	7,759
Services and other operating expenses	Actual and estimated use	4,122	4,662
Professional fees	Actual cost main audit and governance	6,050	11,500
Depreciation	pro rata to staff cost allocation	775	519
Total		67,097	72,797

Other recognised gains and losses

	2012 Total £	2011 Total £
(Losses)/gains on foreign exchange	(10,823)	(12,174)

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2012

4 Employee information

	2012	2011
	No.	No.
The average number of employees (Full time equivalents) during the period was:		
Director, management, research and writing	27	28
Finance and administration	<u>5</u>	<u>5</u>
	<u>32</u>	<u>33</u>
The total costs of these employees were:	2012	2011
	£	£
Wages and salaries	1,194,514	1,243,768
Social Security costs	193,383	210,407
Pension	<u>69,388</u>	<u>71,087</u>
	1,457,285	1,525,262
Other staff costs	<u>3,192</u>	<u>4,984</u>
Total staff costs	<u>1,460,477</u>	<u>1,530,246</u>
	2012	2011
	No.	No.
Number of employees who received emoluments in the ranges between :		
£60,001 and £70,000	1	-
£70,001 and £80,000	-	1
£80,001 and £90,000	1	1

5 Transactions with Directors

The Directors, who are also the Trustees for the charitable activities of the Institute, received no remuneration for services rendered during the year. Properly approved expenses were incurred relating to 6 Directors in respect of their duties as trustees of the charity in the year totalling £2,743.61 (2011 - expenses relating to 10 Directors £3,939). These expenses covered travel, accommodation and subsistence associated with attending Board meetings and Finance Committee meetings and other meetings associated with Governance in London and Brussels. Some of these expenses were incurred directly by IEEP, others were reimbursed to the Directors.

6 Taxation

The company is taking advantage of the reliefs available for registered charities from tax charges and, therefore, no provision for taxation has been made.

7 Tangible Fixed Assets

	Furniture & Equipment
	£
Cost	
Brought forward at 1st January 2012	114,594
Additions	17,084
Disposals	<u>(4,305)</u>
Carried forward at 31st December 2012	<u>127,373</u>
Depreciation	
Brought forward at 1st January 2012	75,309
Charge for the year	23,498
Eliminated on Disposal	<u>(4,305)</u>
Carried forward at 31st December 2012	<u>94,502</u>
Net Book Value	
At 31st December 2012	<u>32,871</u>
At 31st December 2011	<u>39,285</u>

All assets are in use for charitable purposes.

Institute for European Environmental Policy, London

Notes to the Accounts (continued)

For the year ended 31st December 2012

8	Debtors	2012	2011
		£	£
	Trade debtors	199,058	418,040
	Prepayments and accrued income	645,279	520,376
	Other debtors	5,821	5,261
		850,158	943,677

All amounts fall due within one year.

9	Cash at Bank	2012	2011
		£	£
	Bank	594,761	534,226
		594,761	534,226

10	Creditors: Amounts falling due within one year	2012	2011
		£	£
	Trade creditors	112,520	121,149
	Taxation and Social Security	29,059	50,901
	Rent deposits	11,027	11,027
	Deferred income (see below)	417,525	463,287
	Accruals	175,163	166,389
		745,294	812,753

	<u>Deferred income</u>	2012	2011
		£	£
	Balance brought forward:		
	Research projects	359,794	216,270
	Grants and donations	103,493	67,604
	Released in the year	(463,287)	(283,874)
	Deferred in the year:		
	Research projects	195,170	359,794
	Grants and donations	222,355	103,493
	Balance carried forward	417,525	463,287

11 Financial Commitments

The company is committed to making the following operating lease payments within the next twelve months.

	2012	2011	2012	2011
Property and equipment leases due to end in:	Property	Property	Equipment	Equipment
	£	£	£	£
Up to one year	67,157	-	-	2,135
One to five years	51,412	174,416	1,752	1,812

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2012

12 Unrestricted Funds

	Balance at 01.01.2012	Income & other gains	Expenditure	Funds transfers	Balance at 31.12.2012
	£	£	£	£	£
Unrestricted Reserves	583,343	2,422,722	(2,383,838)	-	622,227
Designated Foreign Exchange Fund	61,092	(10,823)	-	-	50,269
Designated Premises Fund	60,000	-	-	-	60,000
Total Unrestricted Funds	<u>704,435</u>	<u>2,411,899</u>	<u>(2,383,838)</u>	<u>-</u>	<u>732,496</u>

Designated Foreign Exchange Fund

The Institute reports in Sterling but conducts its operations in Euros, Sterling, US Dollars and other currencies and accounts for foreign exchange gains and losses which may arise on those transactions during the year. In addition the Institute re-values its bank, creditor and debtor balances denominated in currency at 31 December each year at the year end conversion rate to Sterling. In 2008 exceptional exchange gains were made due to the fall in the value of Sterling against the other currencies and in particular the low value of Sterling at 31 December 2008. The Trustees considered the exchange losses recorded in 2009 part of which arose due to the reversal of the exceptional gains for 2008 as Sterling strengthened again and decided, given the continuing volatility in currency values, that the Institute should set aside a designated reserve fund of £100,000 against the possibility of future exchange losses. In 2012 the exchange losses were £10,823 (2011 - losses £12,174) and these have been charged against the designated fund. The Trustees consider the remaining balance of £50,269 to be adequate.

Designated Premises Fund

The Institute has retained a designated premises reserve of £60,000 for future obligations which may arise on concluding its current office leases in both London and Brussels (dilapidations, etc). The London office lease terminates in 2013 and the designated fund will be reviewed once the position on any obligations under the lease and any new obligations under the new London office lease are clear. The obligations that may arise under the Brussels lease are dependant, in part, on the date of termination, including whether any break clause is exercised.

13 Restricted Funds

The restricted funds all relate to projects carried out as part of the core work. No amounts remained unspent at 31st December 2012 (2011: £nil).

14 Legal status

Institute for European Environmental Policy, London is a company limited by guarantee, and not having a share capital, governed by its Memorandum and Articles of Association. Every member undertakes to contribute to the assets of the company, if it is wound up, a sum not exceeding £1. At 31st December 2012 the company had 11 members (2011 : 12). The company is a registered charity number 802956.

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2012

15 Accounting for retirement benefits

The charity makes contributions to individual money purchase schemes on behalf of its staff as described in note 1. Contributions in the year to these schemes were £69,388 (2011: £ 71,087).

16 Investment in Joint Venture

During 2006 the Institute established a joint venture, Alliance Environnement GEIE, a company incorporated in Belgium. The cost of this to the Institute was £3,400 which consisted only of the acquisition of 50% of the ordinary share capital of the joint venture. The joint venture was incorporated to act as a collection agent for its shareholders. The costs of establishing the venture have been treated as expenditure in 2006 as there is no expectation of recovering the initial outlay. The Institute's share of the loss for the period is £246 (2011: £535) and, due to the fact that it is immaterial, it has not been consolidated into these accounts.

17 Contingent Liability

The Institute enters into a variety of funding arrangements under which it is accountable to the funders for the application of resources provided. Where these are subject to audit, this may occur in a period subsequent to that in which the project was delivered and income recognised. There is an ongoing risk that funder audits may disallow income previously claimed.