

FRIENDS PROVIDENT CHARITABLE FOUNDATION

England & Wales · Charity number 1087053

Details

Other names	FRIENDS PROVIDENT CHARITABLE FOUNDATION, FRIENDS PROVIDENT CHARITABLE FOUNDATION PLC, FRIENDS PROVIDENT FOUNDATION
Status	Registered
Legal form	Charitable company
Company number	04228843
Registered	2001-06-19
Register	View on the Charity Commission register

Contact

Address	Priory Street Centre 15 Priory Street York YO1 6ET
Phone	01904629675
Email	enquiries@friendsprovidentfoundation.org.uk
Website	http://www.friendsprovidentfoundation.org

Activities

Objects: THE OBJECTS OF THE FOUNDATION ARE TO PAY OR APPLY THE INCOME OR (IF AND WHEN THE TRUSTEES SHALL SEE FIT) THE WHOLE OR ANY PART OF THE CAPITAL OF THE FOUNDATION TO ANY CHARITABLE INSTITUTIONS, BODIES, TRUSTS OR FUNDS OR FOR ANY CHARITABLE PURPOSES PRINCIPALLY IN BUT NOT LIMITED TO THE UNITED KINGDOM ("THE OBJECTS").

Activities: The Foundation's overarching aim is to transform the use of financial systems into an informed activity that offers social as well as economic benefits, alleviating social disharmony and inequality.

Classification

- **How:** Makes Grants To Organisations, Provides Other Finance, Sponsors Or Undertakes Research
- **What:** General Charitable Purposes
- **Who:** Other Charities Or Voluntary Bodies

Geography

- **Area of benefit:** PRINCIPALLY BUT NOT LIMITED TO THE UNITED KINGDOM
- Northern Ireland
- Scotland
- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2024-09-30	£996,642	£2,200,525	£24,257,995	8
2023-09-30	£722,659	£2,309,335	£22,935,428	8
2022-09-30	£689,814	£2,950,988	£23,880,324	8
2021-09-30	£534,602	£3,462,439	£29,931,138	8
2020-09-30	£574,700	£2,874,989	£28,809,045	8

Trustees

Name	Role	Appointed
Caroline May Taylor	Chair	2023-04-01
Abraham Alexander Baldry		2020-04-01
Ann Piyolin Don Bosco		2020-04-01
Jennifer Coleman-Peers		2026-01-01
Luke David Sandford		2026-01-01
Mofeyisayo Ayomidun Ayodele		2026-01-01
Natalie Nicholles Anquetil		2025-01-01
Paul Barnabas Blyth		2023-04-01
Priya Alok Gupta		2025-01-01
Stephanie Cynthia Maier		2020-04-01

FRIENDS PROVIDENT CHARITABLE FOUNDATION

England & Wales - Charity number 1087053

Accounts

Charity No: 1087053

Company No: 04228843

**FRIENDS PROVIDENT CHARITABLE FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)**

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2024

FRIENDS PROVIDENT CHARITABLE FOUNDATION
REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

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FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Reference and Administration Information

Charity Name: Friends Provident Charitable Foundation

Other names by which the charity is known: Friends Provident Foundation

Charity Number: 1087053 (England & Wales)

Company Number 4228843 (England & Wales)

REGISTERED ADDRESS

15 Priory Street
York
YO1 6ET

BOARD OF TRUSTEES

Members: Abraham Baldry
Paul Blyth
Ann Don Bosco
Joanna Elson (Vice Chair)
(to 31 December 2023)
Kathleen Kelly
Stephanie Maier
Stephen Muers (Chair)
Aphra Sklair (to 31 March 2024)
Caroline Taylor
(Vice Chair, from 5 July 2024)

Associate Trustee: Simin Wadiwala

KEY MANAGEMENT PERSONNEL

Foundation Director Danielle Walker Palmour
Head of Funding Strategy Abigail Gibson
Investment Engagement Manager Charlie Crossley
Social Investment Portfolio Manager James Anthony (from January 2024)
Finance and Operations Manager Kate Kendall
Communications Manager Jake Furby (to January 2024)

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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Reference and Administration Information

PRINCIPAL ADVISORS

Principal Bankers:	CAF BANK Limited PO Box 289 West Malling Kent ME19 4TA	Triodos Bank NV Deanery Road Bristol BS1 5AS
Auditor:	Buzzacott LLP 130 Wood Street London EC2V 6DL	
Investment Advisor:	Redington (from June 2024) 1 Angel Court London EC2R 7HJ	
	Peter Jones, Independent Advisor (to June 2024)	
Solicitors:	Wrigley's Solicitors LLP 3 rd Floor, 3 Wellington Place Leeds LS1 4AP	
Investment Managers:	Columbia Threadneedle Investments 78 Cannon Street London EC4N 6AG	Cazenove Capital 1 London Wall Place London EC2Y 5AU
	Snowball Impact Management Ltd 20 Little Britain London EC1A 7DH	

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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CHAIR'S INTRODUCTION

Twenty years ago in 2004, Trustees of the newly minted Friends Provident Charitable Foundation were preparing for an event to mark the public launch of the charity. They had commissioned a book of essays from across the political, economic and philosophical spectrum to explore the moral, social and cultural understanding of the role of money and financial systems in our society – published as *The Right Use of Money* (Policy Press, 2004). The event was held in the Queen Elizabeth II Conference Centre in London and was attended by a wide range of shareholders, stakeholders and peers.

2024 finds Trustees and staff preparing for another event in London; to celebrate the 20th anniversary of the Foundation and to take stock of where we have been. Much has changed. We have grown from one part-time member of staff to nine people based in York and London. We have shifted our focus from financial inclusion to more widely addressing the nature of our economy and how to make it fairer and more sustainable. We are now not just an ethical investor but an active, challenging one with ambitions to carry on the original intention of the founders of Friends Provident Foundation as an innovator in financial services.

However, there are also some continuities across those twenty years. We wish to address unfairness and inequality in the economic system. We continue to aim to work collaboratively with partners from all sectors to bring about change. And we continue to ask big questions despite our small size.

This year, in an attempt to maximise the impact of our grant funding, the Foundation has launched a refreshed programme organised around two central themes: **mainstreaming new economic ideas** and **transforming financial systems**. Alongside this we will have one supporting theme continuing our role as supporter of the **wider movement infrastructure**. The refreshed programme will guide our funding for the next three years. The programme continues to innovate through its focus on minimising wasteful application processes and costs for grant-seekers and embedding a learning framework and approach from the outset.

In 2020, alongside Joffe Trust and Blagrove Trust, we launched a process called the 'environmental, social and governance (ESG) investing olympics'. We did this because we believe the purpose of investment should be to direct capital to socially, environmentally and economically useful activity, and to help address societal challenges; rather than to focus on short-term financial returns. We created an open competition and a selection process including a public event attended by over 100 people who could question and assess the proposals for meeting our shared mandate. Cazenove Capital, part of Schrodgers group, won the competition and this led to Cazenove Capital's Sustainable Growth Fund, launched in early 2021. Three years on, we have been reflecting on progress against our objectives and published an update on this earlier in the year, in keeping with the principle of transparency we established from the start.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Looking at the Foundation itself, this year we were sad to lose long-standing Trustees Joanna Elson and Aphra Sklair and our Communications Manager Jake Furby: we are grateful for their contributions and they are much missed. We also welcomed new members of the team: James Anthony as Social Investment Portfolio Manager, Ashanti Akabusi who is working with us to manage the communications function and Dilys Winterkorn and Lotte Thelen as independent members of our Investment Committee. We also created a new role of Associate Trustee to bring a wider diversity of experience to our board and make Trusteeship more accessible. Simin Wadiwala has been a fantastic first holder of this position.

In August 2024, the York staff team moved our office from Blake House in central York to new premises in a community building at the Priory Street Centre, also located centrally. We are delighted with a new space that is fully accessible to all visitors.

2025 will undoubtedly see more of both continuity of mission and change in how we get there, and we look forward to collaborating with partners old and new as we continue the journey.

Stephen Muers

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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OUR PURPOSE

Friends Provident Foundation is an independent charity that makes grants and uses its endowment towards a fair and sustainable economic system that serves people and planet. We connect, fund, support and invest in new thinking to shape a future economy that works for all.

We're a catalyst for wider change, making an impact through continuous experimentation and shared learning. We do all we can to embody the change we want to see. We invest in great social enterprises and use our money in line with our values.

We will continue to fund new thinking, connect new ideas, invest our capital in line with our aims and values and create better systems.

This annual report focuses on our main mission which is to create a fair and sustainable economy.

For more information, please visit our website at www.friendsprovidentfoundation.org.

DIVERSITY, EQUITY AND INCLUSION

Our Diversity, Equity and Inclusion (DEI) plan underscores our commitment to transforming the economic system into one that is fair and sustainable. Integral to this is addressing the structural inequities rooted in systemic discrimination. The Foundation sees that a commitment to diversity and inclusion must be central to our efforts to build a fair economy. This is about *how* we do all that we do: including staff and Trustee recruitment and management; our Investment management and engagement; grantmaking; communications and engagement with the wider community. We are aware of the power dynamics of our position as a holder and distributor of wealth.

This year our DEI working group was integrated into our Trustees' Resources Committee to ensure accountability for this area of our work. We have made progress in some areas but still have improvements to make in others. We see this as a continual process that will never be fully complete. Our rating for diversity in the Foundation Practice Rating this year was B, showing that there is still room for improvement.

Key Components:

Internal Operations:

- Recruitment practices emphasise fairness, not asking for unnecessary qualifications or previous salaries, anonymised applications and transparent salary disclosures.
- Creation of an Associate Trustee role to diversify access to strategic decision-making.

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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

- Monitoring and publishing staff and Trustee diversity statistics to promote accountability.

Grant-making:

- This year equity and social justice have been central funding priorities with strands focused on marginalised voices and avoiding replication of systemic inequities.
- We introduced a small grants programme to support new entrants into the sector.
- Practices include providing pre-application support, flexible payment structures and collecting data to improve accessibility and fairness.

Investment Management:

- The Foundation aligns its investments with social and environmental goals, favouring companies that uphold fair pay, decent work and management diversity.
- Active shareholder engagement to promote equity-focused policies.

Communications and Accessibility:

- We are working towards the Web Content Accessibility Guidelines version 2.1 AA standard

Future Goals (2024 and beyond):

- Increased training and resources for staff and trustees.
- Further improvements in recruitment diversity, website accessibility and application processes.
- Exploration of paid trustee positions and expansion of support for marginalised communities.

By embedding equity into its strategy, operations and grant-making, the Foundation seeks to challenge systemic inequalities and promote a more inclusive and sustainable economic system.

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CLIMATE EMERGENCY DECLARATION

This year, as part of our business planning process, we undertook to look again at our commitment to addressing the climate emergency in our grants, operations and investments. As a mechanism, we joined the Earth Funding Lab programme under the auspices of the Environmental Funders Network. We committed to joining two of the three workstreams – ‘tax and nature’ and ‘beyond ESG’.

The beyond ESG workstream saw us collaborate with other foundations to develop ideas that could contribute to systemic, positive changes in the investment practices of foundations. The key potential interventions emerging are: increasing transparency and accountability of foundation investments; accelerating peer learning between foundations on their investments; and identifying legitimate positive impactful investments.

The tax and nature workstream has undertaken an exploration of the ways in which taxes can be used in the service of nature. It has made many connections with key players both within tax campaigning organisations and environmental organisations. A joint pot of £40,000 has been made available to fund initial work and we are currently exploring a collaboration with the Economic Change Unit (ECU) and Tax Justice UK on the issues of tax and nature in the first half of 2025.

It is worth noting that our work through this workstream has already been influential on the tax sector in terms of supporting them to consider their work through the lens of the nature and climate crises.

This engaged three members of staff over the course of the year and expanded our knowledge of colleague-funders committed to the deep and systemic change required to address climate change as a funder.

The Foundation commissioned a sustainability audit of our new website as part of the deployment, ensuring that we are monitoring and measuring the carbon footprint of our main means of communication going forward. A key element of this is a reduction in the number of pages and a simplification of the structure of the site.

We are also planning Carbon Literacy training sessions for staff and trustees in the next financial year.

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PROGRESS TOWARDS OUR GOALS IN 2023-24

Each year, staff and Trustees set objectives for the year, reflected in our Business Plan. This guides our priorities and expenditure, and creates momentum for our overarching goal of continuous improvement. Last year we had the following aims and this sets out how well we have performed against them.

1. To increase our impact by bringing our grants and investment strategies into closer alignment.
 - *Fully achieved*
2. To ensure our grant giving is as efficient and effective as possible within the parameters of our budget and size as a funder.
 - *Fully achieved*
3. To review, communicate and implement the FPF investment policy and approach to align capital with mission.
 - *Fully achieved*
4. To communicate more effectively by reviewing and reframing our external communications and digital outputs.
 - *Partially achieved*
5. To make the Foundation's salary and benefits structure more reflective of our mission for a fair and sustainable economic system, reflecting operational and human needs.
 - *Fully achieved*
6. To restructure and develop internal systems to support Foundation operations.
 - *Partially achieved*
7. To refocus our climate emergency declaration in relation to operations, investment and other activities.
 - *Fully achieved*
8. To continue to evolve our governance to enable the Foundation to be responsive and reflective of the external context.
 - *Fully achieved*

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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

GRANTS REPORT

Introduction

Grantmaking has been an important part of the Foundation's toolkit for economic change for the past 20 years and, over 2024, we have been reflecting on and developing our grantmaking strategy both in terms of what we fund and how we do so.

Over this time our grantmaking programme has evolved: from an initial focus on the right use of money; to financial inclusion; then shifting to financial resilience; and more recently a focus on systemic economic change. After the 2008 crash, we helped support a range of ideas about how economic systems change could be achieved. We also helped to establish a number of increasingly influential organisations working in new economy space.

During 2023-24 the need for change was as urgent as ever. The financial system firmly re-asserted itself post-crash and climate breakdown and inequality have worsened. The UK is not short of ideas on how to change this and we have an active, creative new economy movement. As we look forward, therefore, we seek to turn our attention to what is stopping these ideas becoming a reality.

This year has been about looking back to move forwards – building on the learning and experience we've gained from 20 years of grantmaking to develop a strategy for a more focused programme of work and better-quality grantmaking practice for the future.

A Look Back at 2023/24

2024 was the final year of our '4D Economy' programme of grantmaking. Full details of grants made in the year are provided in Appendix 1.

Recognising the ongoing inflationary challenges facing our grant-holders, cost of living increases were made for long-term grants, maintaining the real value of our grants. A major strand of work this year has been the evolution of the grants strategy, involving a deep dive into learning from previous grants, consultation with stakeholders and reflecting on best grant-making practice.

This year has also seen the development of our learning strategy and the recruitment of a new learning partner to support us over the next three years and ensure that we are maximising the insights and intelligence to be gained from all of our work.

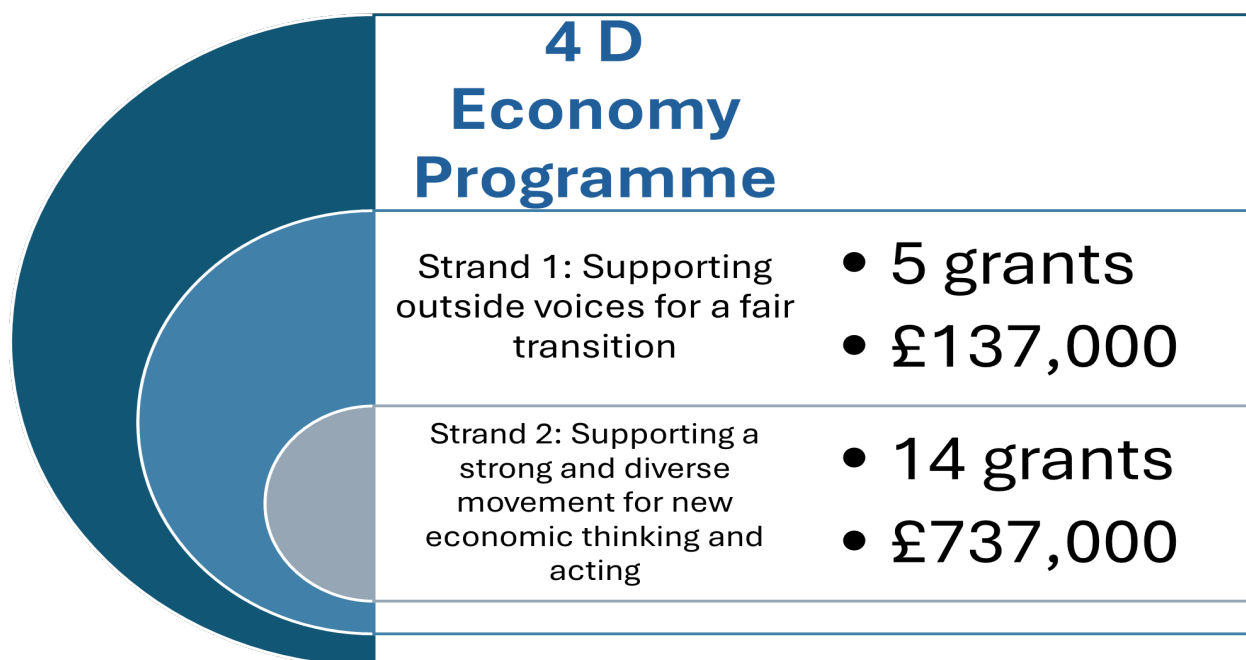
Key Trends in Grant-making 2023-24:

Grants Made:

19 grants to 18 organisations.

12 (66%) were for organisations we haven't previously funded.

As at the end of the financial year, there were 62 live grants in the portfolio.



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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Grants were made under two main thematic strands under the 4D Economy Programme.

The 4D Economy Programme

The grants programme funded organisations and projects that supported our vision of a fair, sustainable economy, that is Diversified, Decarbonised, Democratised and Decentralised.

Funding was granted under two thematic strands:

- **Supporting ‘outsider voices’ in pushing for a fair transition to a 4D economy** - funding projects and programmes that support the number of transitions needed to create a 4D economy in a fair way, i.e. not at the expense of already disadvantaged geographies, groups or communities.
- **Supporting a strong and diverse movement for new economic thinking and acting in the UK** - funding to support a movement that challenges and seeks alternatives to the current dominant ‘neo-liberal’ economic model.

Types of funding

Core Funding – funding in support of an organisation’s central and general costs. Fully flexible funding offered to organisations whose mission and strategy is fully aligned with that of the Foundation.

Project Funding – funding for specific activity following an application.

Small Grants – a new strand developed to try to enable more new entrants to our programme. Focused on new organisations or new ideas with a particular focus on under-represented groups.



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Grant Value

The average grant value was £43,684. The high level of grants made under the small grants programme skewed the average – when these are removed, the average is £99,651.



Applications Received and Success Rates

The programme received 238 applications over the year, via the open application form on our website. Of these 8% were invited to stage two. This mostly reflects a very high number of ineligible applications, for areas not covered by the programme – which accounted for 71% of applications received. When we remove these from the analysis, the conversion rate from stage one to stage two increases to 26%. At stage two, where applications have been invited on the basis of fit, the success rate increases to 60%.

Grant Increases

Given ongoing inflationary pressures, we adopted a new policy of automatic grant increases for grant-holders with longer-term grants (1 year plus, with more than one year remaining) who had not built sufficient allowance for inflation into their budgets or who had not already been granted an increase in year. As a result, grants worth a total of £58,632 were made to 17 organisations.

In addition, 3 organisations requested more significant grant increases to allow them to meet unexpected costs or new additional opportunities, worth a total of £85,000.

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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Looking Ahead

At the very end of the year, the 4D Economy Programme was closed and the new **Realising a New Economy** programme was launched. A significant amount of staff time was spent over the year developing and refining the new programme, which will roll out over 2024-25. The new programme seeks to bring about a number of changes in terms of grants focus and grant-making practice including:

- Three new programme strands – Shifting Cultural Perceptions, Transforming Financial Systems and New Economy Infrastructure (including a new small grants programme) to be opened at different points over 2024-25.
- A shift to a principle of unrestricted funding as a default (with exceptions for particular situations).
- The development of a new application process to be trialed over 2025. This aims to shift the burden of the work from the applicant to the Foundation grants team as far as possible. Applications will be created through conversation, with the bulk of the writing at stage one being carried out by Foundation staff.
- More contact pre-application, through a new 'say hello' function on our website (with contact being possible by writing, voice note or video), to ensure that people are only spending time applying if their project is a reasonable fit.

Our hope is that these changes will reduce our unsuccessful application rates, create a more inclusive and less extractive approach and will give applicants a faster sense of the outcome of an approach.

Realising A New Economy

Strand 1: Shifting Cultural Perceptions

We aim to explore how we think and talk about the economy. The way we collectively perceive the economy—often as an independent, complex system or a science understood by only a few—hinders our ability to envision change. By exploring our key question is *How can we shift perceptions and beliefs about the economy—what it is and what it could be?* we aim to inspire the belief that meaningful economic change is possible.

Strand 2: Transforming Financial Systems

This strand aims to uncover and transform the hidden workings of our financial system. Our contention is that the financial system should allocate resources to meet economic and social needs, but it has increasingly served itself, drifting away from the real economy. While progress was made after the 2008 financial crisis, recent rollbacks threaten those gains, meaning that ongoing efforts for fairness and sustainability aren't gaining traction. This programme strand seeks to challenge barriers within the system—such as regulations, policies, power dynamics, and culture—and drive change toward a fairer, more sustainable financial framework.

Strand 3: New Economy Infrastructure

Through this strand we aim to strengthen and grow diverse organisations driving economic systems change. The ecosystem of organisations focused on transforming economic systems is still emerging and often operates with limited capacity. To grow into respected institutions capable of challenging entrenched norms, these organisations need consistent, reliable support. As one of the few funders dedicated to this cause, we are committed to long-term partnerships and leveraging additional resources to help these organisations thrive and create meaningful change

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INVESTMENTS REPORT

Introduction

We believe the purpose of investment should be to direct capital to socially and environmentally useful activity, to create social as well as economic value and to help address societal challenges, rather than to focus on short-term financial returns. As a participant in the financial system through our endowment, we have an opportunity to promote change that serves our mission. As such, we are a long-term investor and steward of our investee companies and funds. Our approach includes investing in positive social & environmental impact, aligned to our mission, as well as stewarding our investee companies and funds, using engagement to reduce negative impacts and increase alignment between our investments and our mission. This approach allows us to balance generating sufficient returns to fund our grant-making and operations, while utilising the endowment to further our mission.

Investing our endowment involves making decisions on what to invest in, what not to invest in, how we exercise our stewardship responsibilities and how we engage with the financial system. We believe these decisions should contribute to our aim of building an economy that is sustainable and fair.

Our Investment Principles and Policy is the key document driving our investment work.

Most of our endowment is invested through our investment managers: Columbia Threadneedle Investments, Cazenove Capital, and Snowball Impact Investments. Our investment adviser is Redington.

Our investments are summarised below:

Financial Investments

Investment	Investment manager	Investment approach ¹
Multiple funds	Columbia Threadneedle Investments	Responsible
Cazenove Sustainable Growth Fund	Cazenove Capital	Sustainable
Snowball Impact Investment LP Fund*	Snowball Impact Management Ltd	Impact

* We are a founding investor in the Snowball Impact Investment LP Fund.

¹ This is our view of the investment approach across the “spectrum of capital”, first developed by Bridges Fund Management. See more information here: <https://resonance.ltd.uk/for-investors/spectrum-of-capital>

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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

We make direct investments in public companies via a Hargreaves Lansdown account, for the purpose of shareholder influencing.

Social Investments

Investment	Description
Awel Cooperative	Renewable energy project, based in Wales, operating two wind turbines, with the aim of tackling climate change and enabling local regeneration.
Egni Cooperative	Renewable energy project, linked to Awel Cooperative, installing rooftop solar panels in schools, community buildings & businesses.
Energy Garden	Enterprise developing community-owned solar projects and gardens in London, alongside educational programmes to promote their social and environmental benefits.
Ethex Investment Club	An online platform connecting investors with impactful social enterprises and community projects and raising the finance needed by these organisations to achieve their aims.
People Powered Retrofit	Enterprise providing advice, training and software development linked to retrofitting households to combat climate change.
Riding Sunbeams	Enterprise aiming to provide directly connected renewable energy to the rail network.
Snowball Impact Management Ltd	Company managing the Snowball Impact Investment LP fund, which targets investments with a positive impact for people and the planet, whilst generating sound financial returns.
Wyre Catchment CIC	Project to implement natural flood management works in the upper River Wyre catchment, with the aim of reducing flooding & flood risk to business & communities residing in the catchment.

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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

We also make social investments.² A description of our current and prior social investments can be found on our [website](#).

Further information about our Investment Committee and staff team working on investments can be found on our [website](#).

Reflecting on the Foundation reaching its 20th anniversary, there have been several highlights relating to investment:

- We committed to our first social investment in 2007 – a subordinated loan to Charity Bank.
- In 2010, we became an investor in the world's first social impact bond, aiming to reduce recidivism in Peterborough.
- Being one of the first UK foundations to employ an Investment Engagement Manager in 2016.
- Becoming a founding investor in the Snowball Impact Investment Fund.
- Co-leading the 'ESG investing olympics' in 2020, an open, competitive tender for a £33.5 million mandate.
- Contributing to engagement successes, such as major utility companies committing to the just transition.

A Look Back at 2023-24:

A lot happened for the Foundation in the 2023-24 financial year, but here's a few of the highlights:

- We were part of a group of investors, co-ordinated by grant-holder, ShareAction, that co-filed a shareholder resolution at Barclays on their financing of new oil and gas infrastructure. The group eventually decided to withdraw the resolution after **engagement with the bank around its fossil fuel policy**.
- We supported an engagement led by Royal London Asset Management and Border to Coast Pension Fund encouraging UK banks to commit to a just transition to net zero. This included producing **investor expectations for the banking sector on the just transition**.
- We worked with ShareAction to engage companies to support workplace equality in the UK. We attended the AGM of Sainsbury's to ask about the real living wage and Mitie to discuss their ethnicity pay gap reporting.

² We define social investment as where we use money with a view to both:

- achieving our purposes directly through the investment; and
- making a financial return.

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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

- CCLA hosted a webinar, with the support of the University of Nottingham's Rights Lab, consultant Social Governance and us, on the role for investors in promoting labour rights in the adult social care sector. Our focus on this area continues.
- In January 2024, James Anthony joined as the Foundation's Social Investment Portfolio Manager, a new role designed to design and lead the Foundation's social and impact investment work.
- As part of our ongoing effort to be transparent and share knowledge about our investments, **we reflected on the Cazenove Sustainable Growth fund**, which was seeded after the 'ESG investing olympics' that we organised. We discussed progress in ESG integration, impact and influencing wider investment practices.
- We **appointed Redington** as our new investment adviser after a competitive tender process. Redington's mission-oriented approach and potential to influence the wider investment ecosystem made them our preferred choice for guiding our investment strategy.
- Lotte Thelen and Dilys Winterkorn both joined as co-opted members of our Investment Committee. We recruited these committee members, via direct approach, to further add skills and experience to the committee, rather than by an open selection process. In the future, we will consider more open approaches.
- We supported the development of the Charity Investment Governance Principles (CIGP) for trustees. The CIGP will create a comprehensive framework to guide charity investment decision-making.

Looking Ahead

Looking ahead to 2024-25, there is plenty on our agendas.

We plan to update our Investment Principles and Policy document for the first time since 2019. We will do this in a participatory manner, including seeking feedback from a range of stakeholders, trying to make our investment approach accessible.

We also plan to work with peer investors to consider options to challenge and encourage the investment industry to do more on mission-aligned investing.

A new social investment strategy will be launched and a host of new social investments will be announced.

There will be challenges ahead in delivering our work. Key overarching trends of the climate emergency and inequality are potentially worsening. The economic environment continues to look uncertain. A new policy landscape brings opportunity for our work but

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shifting policy also brings challenges. Social investment opportunities are plentiful but fundraising remains a key issue for investees.

As we reflect on two decades of purposeful investing, we will remain committed to using all our endowment, including our investments, to contribute to a fair and sustainable economy.

COMMUNICATIONS REPORT

Introduction

Effective communication is central to the Foundation's mission of creating a fair, sustainable and resilient economic system. It allows us to amplify our impact, engage diverse audiences and foster meaningful conversations about systemic change. This year has been one of transformation and reflection, marked by significant milestones and transitions within our communications function.

We bid farewell to our Communications Manager, Jake Furby, whose contributions have been invaluable to the Foundation's success. In their stead, we warmly welcomed Ashanti Akabusi, who joined us in the summer and has brought fresh energy and perspective to our communications work.

This year, 2024, has been a momentous one, with highlights including the preparation for our 20th Anniversary celebrations, the launch of our revamped website and preparations to introduce our new grants programme. It has been a year of looking back at two decades of impactful work, learning from our journey and setting the stage for the future. Our involvement in the Foundation Practice Rating initiative further underscored our commitment to diversity, accountability and transparency and sector-wide improvement.

In a rapidly evolving digital landscape, we've had to reassess our social media strategy to ensure alignment with our values while continuing to engage effectively with our audiences. This year's activities have challenged us to reflect, champion our causes and celebrate our achievements - all while staying true to the Foundation's mission of driving systemic change.

The communications function remains at the heart of these efforts, acting as the bridge between our work and the wider world. It enables us to share our learnings, advocate for change and inspire others to join us in our vision for a better future.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

A Look Back at 2023-24

- This year marked several pivotal moments for the Foundation, both in terms of internal transitions and external initiatives.
- A significant achievement this year was the relaunch of our website. This comprehensive project involved reimagining how we communicate our mission, revisiting content and copy, and enhancing the user experience. The result is a platform that better reflects our values and makes our work more accessible to our audience.
- In anticipation of our 20th Anniversary celebration, we engaged in extensive planning to honour two decades of working towards a fair and sustainable economic system that serves both people and planet. This milestone allowed us to reflect on our mission and to share stories of our impact over the years.
- As leaders in the Foundation Practice Rating initiative, we managed event logistics, distributed the report and key findings and spearheaded the 'Three Commitments' campaign. This initiative encouraged foundations to commit to meaningful changes, setting an example for diversity, accountability and transparency in the grant-making sector. Our media relations efforts resulted in coverage across various sector publications, amplifying the Foundation Practice Rating's reach.
- Preparing for the launch of our new grants programme, which will roll out over 2024-25, was another major focus. Communications played a critical role in crafting messaging and building anticipation for this initiative.
- We also celebrated the addition of James Anthony as our new Social Investment Portfolio Manager. Through thoughtful communications, we highlighted James's role and contributions to our mission.

Looking Ahead:

The coming year promises new opportunities to enhance and refine our communications strategy, ensuring it aligns with our mission and continues to drive impact. A few of such initiatives are below:

- With significant changes in the social media landscape, we will critically assess our use of platforms such as X (formerly Twitter). This evaluation will help us determine where best to focus our efforts, ensuring our presence aligns with our values and engages our audience effectively.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

- A key focus for 2025 will be the creation and implementation of a new communications strategy. This strategy will build on our learnings from 2024, setting clear goals and tactics to enhance our storytelling, audience engagement and impact measurement. By aligning our communications with the Foundation's overarching goals, we aim to inspire action and foster deeper connections with our stakeholders.

As we move forward, our communications function will continue to be a cornerstone of our work, driving awareness, engagement and impact. Together, we will champion systemic change and celebrate the transformative power of collaboration.

OPERATIONS REPORT

This year we have streamlined our software to enhance effectiveness and team-working. After eight years at Blake House, the Foundation moved offices to Priory Street, and we are pleased to now have an accessible office and meeting place.

GOALS FOR 2024/25

In the coming year, we have another ambitious set of organisational goals for both staff and Trustees, the aim of which are to ensure the most effective delivery of our mission:

- To continue to develop our key strategies to progress alignment and impact.
- To review how the outsourcing of the Communications function has operated for the Foundation in 2024.
- To implement the review of the organisational salary and benefits structure conducted in 2024.
- To restructure and develop internal systems to support Foundation operations and communications.
- To develop our governance and support of the refreshed Trustee board to enable Trustees to fulfil their fiduciary duties and model our mission.
- To reassess and reduce our carbon impacts and contributions to biodiversity loss in our operations, investment portfolios and through grant-funded activities.
- To research and consider if other income sources – donors, other funders etc – might contribute toward the achievement of our mission.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

POLICIES, GOVERNANCE AND OPERATIONAL FRAMEWORK

Management and Advice

During the year, our investment managers were Columbia Threadneedle Investments, Cazenove Capital and Snowball Impact Management Limited. An investment policy has been agreed by Trustees, with investment objectives shared with the investment managers. The managers provide regular reports and are invited to Investment Committee meetings to discuss asset allocation and investment performance.

To support Foundation staff and Trustees in their commitment to the responsible use of its assets and as a means of sharing our practice, the Foundation continued as a member of the Charities Responsible Investment Network.

Peter Jones, an independent investment advisor, continued to provide general investment advice to the Trustees until June 2024. Redington were then appointed to this role. Trustees instruct the investment managers to reflect the advice received in their management of the Foundation's assets.

Wrigley's Solicitors LLP was retained to provide legal advice on direct investment documentation and on our general charitable activities.

Climate Risk Management in Our Investment Portfolio

Trustees are mindful of a wide range of experts who consider that climate risk is arguably the biggest risk to economies today. They understand that climate-related systemic risk could have a highly negative impact not only on the Foundation's assets but also on its core mission and stakeholders through disruption of the financial system, with implications for jobs, incomes and inequality. They seek, therefore, to do whatever they reasonably can to progress a rapid transition to a low-carbon economy and to safeguard the Foundation's capital.

Resources

Some years ago Trustees took the decision that the Foundation can spend its capital as well as its income in pursuit of our mission. This has been at a reduced rate over the past three years, following the decision to reduce grant expenditure to allow for more mission-driven investment. They actively review both strategy and resources to manage the risk of this approach. The current rate of spend is £2 million per annum.

Trustees are prepared to consider accepting a higher level of risk or a lower level of financial return than the market norm, especially for those social investments that are

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

closely aligned with the Foundation's specific programme aims. For investments that generate broader positive social impact and meet the Foundation's general charitable objectives, but without specific alignment with programme aims, Trustees might look for levels of risk and return that are closer to the benchmark for that asset class.

Risk Management

The Trustees are responsible for overseeing the effective management of the Foundation and for safeguarding its assets. Risk management is an ongoing activity involving all Trustees and is reviewed by Trustees at least annually.

During the year, the Trustees have reviewed the risks facing the Foundation covering governance and management issues, financial, regulatory, legal and operational risks. Mitigating actions have been taken regarding the major risks that have been identified, namely:

- Investment risk with loss of income impacting operations and mission: Trustees tolerate this risk whilst closely monitoring the markets and the Foundation's investment portfolios.
- Staff sickness or absence risk arising from having a small team: Plans are in place to mitigate this risk.
- Mission risk – having an ambitious mission with limited resources: Trustees tolerate this risk.
- Reputational risk, such as poor publicity arising from the actions of organisations we fund or inaccurate information on our website: Trustees mitigate and manage this risk.
- Financial risk relating to internal operations and the management of resources: Trustees mitigate and manage this risk with staff and external advisors.

Each risk identified was assessed in terms of the potential impact and likelihood of occurrence and the Trustees confirm that they believe that, for each of these risks, appropriate controls are in place to mitigate the significant risks to an acceptable degree.

Reserves and Going Concern

The total charity funds at the year-end of £24.26m (2023: £22.94m) were held in the endowment fund. The capital comprising the Foundation's expendable endowment is the principal source of income to meet the Foundation's objectives and running costs. The Foundation's free unrestricted reserves are expected to be approximately £23 million.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

The Trustees consider that there are no material uncertainties about the Foundation's ability to continue as a going concern.

In 2016, Trustees took the strategic decision to expend capital from the endowment in pursuit of our mission. In order to ensure there are adequate funds to support a potentially higher level of expenditure, the Foundation adopted a policy to 'draw down' a sum from the endowment each year to match the difference between our projected income and our projected expenditure as set by Trustees in the annual business planning process.

In 2021, Trustees decided to slow down the reduction of the capital base. This was to enable a rebalance of internal resources to allow greater focus on investment engagement and impact.

In 2025, Trustees will be reviewing the use of capital to ensure that the charity's commitment to maximizing its impact through grant-making and investment activity continues, whilst holding an appropriate level of reserves to ensure financial sustainability and operational stability.

Trustees also recognise that Foundation income from investments can fall. To mitigate this risk, it is the Trustees' intention to hold three to six months' operating costs, which includes grant payments, as a cash reserve; estimated at £700,000 to £1,400,000. This is held as part of Foundation funds and will not be expended although Trustees do not consider it necessary to have a separate reserves account.

The reserves policy was last reviewed and approved by the Trustees in September 2024. Trustees will continue to review the level of reserves taking into consideration the cost base of the Foundation.

Financial Review and Performance

The Foundation's income is derived from investment performance. Total income for the year ended 30 September 2024 was £996,642 (2023: £722,659), mainly attributable to dividends and interest received from the principal investments – open-ended investment trusts with underlying investments in equities and corporate bonds. Two donations and grant funding for the Foundation Rating Project, being coordinated by the Foundation, has added to the income this year. The total expenditure for the year was £2,200,525 (2023: £2,309,335). Of this, grant commitments amounted to £1,045,283 (2023: £1,335,505) and other expenditure was £1,155,242 (2023: £973,830). Net expenditure for the year was £1,203,883 (2023: £1,586,676) before investment gains of £2,526,450 (2023: gains of £641,780), leading to net income of £1,322,567 (2023: net expenditure of £944,896).

As per our investment policy, Trustees expect our mainstream portfolio to produce competitive market returns, as well as reflecting our investment beliefs. Regular reviews of performance by the Investment Committee and advice from our Investment Advisors indicate that performance is in line with market expectations.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Staff Remuneration

Trustees have adopted and reviewed the pay policy that applies to all staff members. An independent review of staff rewards was undertaken during the year and the pay policy has been updated as a result. This new policy has taken effect from 1 October 2024 and includes a new pay structure and job evaluation process.

Trustees review salaries annually against suitable inflation measures. These reflect a cost-of-living measure weighted equally with average wages.

Reflecting our programme focus on pay transparency and in line with NCVO guidance, the ratio between the highest salary (£102,088) and the median salary (£44,357) in the Foundation is 2.3:1. The ratio of the top salary to the lowest is 3.3:1. These calculations are based on full-time equivalent salaries, net of salary sacrifice deductions.

The charity made contributions to employees' personal pension plans based on a fixed percentage of salary. In September 2014, Trustees established a company pension scheme in which contributions are made to NEST.

Statement of Fundraising Practices

The Foundation does not engage in public fundraising and does not use professional fundraisers or commercial participators. The Foundation, nevertheless, observes the relevant fundraising regulations and codes. During the year there were no instances of non-compliance with these regulations and codes and the Foundation received no complaints relating to its fundraising practice.

Governance Arrangements

A Board of Trustees, of up to ten individuals, who must hold at least two meetings each year, administers and controls the Foundation and has control of its property and funds. Trustees are subject to fixed-term appointments as set out in the Memorandum and Articles of Association updated in January 2022. During the year, Trustees have formally met four times, plus a residential Away Day.

The Trustees have complied with the duty in Section 17 of The Charities Act 2011 to have due regard to the Charity Commission's published guidance concerning the operation of the Public Benefit requirement under that Act.

Trustee Roles and Responsibilities

An individual induction programme is in place and implemented for new Trustees, covering all relevant aspects of the role and the Foundation. We hold regular training and engagement sessions before Trustee meetings with guest speakers to share learning and engage staff and Trustees.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

The role of the Trustees includes setting strategic direction and agreeing the financial plan, approving grant-making applications and monitoring the Foundation's grant activities, ensuring that all activities are within its agreed charitable objectives and pursued for the public benefit. Matters reserved for the Trustees are approved by the Trustees and are subject to annual review.

Trustees act on advice and information from regular meetings with the Director and their appointed advisers and from the Foundation's Resources Committee and Investment Committee under terms of reference approved by the Board of Trustees.

Trustee Recruitment

Trustees are recruited through open advertisement. They are interviewed by a panel of existing Trustees against a set of advertised criteria and with due regard to the Foundation's commitment to equality of opportunity and fair treatment. We monitor the response to all vacancies in terms of gender, ethnicity and disability.

Statement of Trustees' Responsibilities

The Trustees (who are also directors of Friends Provident Charitable Foundation for the purposes of company law) are responsible for preparing the report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and,
- each Trustee has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

The report of the Trustees has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

Approved by the Trustees on 10 March 2025 and signed on their behalf by

Stephen Muers, Chair of the Board of Trustees

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

Opinion

We have audited the financial statements of Friends Provident Charitable Foundation (the 'charitable company') for the year ended 30 September 2024 which comprise the statement of financial activities, the balance sheet, statement of cash flows and the notes to the financial statements including a summary of the principal 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 charitable company's affairs as at 30 September 2024 and of 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.

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 company 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 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.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

Other information

The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report and financial statements. 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 course of 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 the audit:

- ◆ the information given in the trustees' report, which is also the directors' report 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 trustees' report, which is also the directors' report for the purposes of company law, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report. We have nothing to report in respect of the following matters in relation to which 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; 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; or
- ◆ the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies'

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the charitable company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Companies Act 2006.
- We understood how the charitable company is complying with these legal and regulatory frameworks by making enquiries to management and those responsible for legal and compliance procedures. Through our enquiries we corroborated these views by our review of Board minutes.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

- We assessed the susceptibility of the charitable company's accounts to material misstatement, including how fraud might occur. Audit procedures performed by the audit team included:
 - Enquiries with the trustees and management, whether they have any knowledge of any actual, suspected or alleged fraud; or non compliance with relevant laws and regulations.
 - Reviewing journal entries.
 - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures.
 - Investigating material variances from expectations.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

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.

Gumayel Miah ACA (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Friends Provident Charitable Foundation

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 30 September 2024

	Note	Unrestricted £	Restricted £	2024 Total £	Unrestricted £	Restricted £	2023 Total £
Income from:							
Donations	2	522,500	–	522,500	120,013	–	120,013
Charitable activities	3	–	62,500	62,500	–	155,550	155,550
Investments	4	411,642	–	411,642	447,096	–	447,096
Total income		934,142	62,500	996,642	567,109	155,550	722,659
Expenditure on:							
Raising funds		32,941	–	32,941	19,238	–	19,238
Charitable activities							
Support for Resilient Economies		1,985,287	–	1,985,287	2,151,056	–	2,151,056
Foundation Practice Rating Project		–	182,297	182,297	–	139,041	139,041
Total expenditure	5	2,018,228	182,297	2,200,525	2,170,294	139,041	2,309,335
Net (expenditure)/income before net gains on investments		(1,084,086)	(119,797)	(1,203,883)	(1,603,185)	16,509	(1,586,676)
Net gains on investments	13	2,526,450	–	2,526,450	641,780	–	641,780
Net income/(expenditure)		1,442,364	(119,797)	1,322,567	(961,405)	16,509	(944,896)
Transfers between funds	19	(16,700)	16,700	–	(30,000)	30,000	–
Net movement in funds		1,425,664	(103,097)	1,322,567	(991,405)	46,509	(944,896)
Reconciliation of funds:							
Total funds brought forward		22,806,154	129,274	22,935,428	23,797,559	82,765	23,880,324
Total funds carried forward		24,231,818	26,177	24,257,995	22,806,154	129,274	22,935,428

All expenditure in both 2023–24 and 2022–23 was made from unrestricted funds, apart from that relating to the Foundation Practice Rating Project which was made from restricted funds.

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 19 to the financial statements.

Friends Provident Charitable Foundation

Balance sheet

Company no. 04228843

As at 30 September 2024

	Note	£	2024 £	£	2023 £
Fixed assets:					
Tangible assets	12		12,361		6,133
Listed Investments	13		23,711,503		23,438,663
Social Investments	14		482,000		379,000
			<u>24,205,864</u>		<u>23,823,796</u>
Current assets:					
Debtors	15	219,969		225,506	
Cash at bank and in hand		1,179,842		1,099,099	
			<u>1,399,811</u>	<u>1,324,605</u>	
Liabilities:					
Creditors: amounts falling due within one year	16	(1,166,454)		(1,665,948)	
Net current assets/(liabilities)			<u>233,357</u>		<u>(341,343)</u>
Total assets less current liabilities			<u>24,439,221</u>		<u>23,482,453</u>
Creditors: amounts falling due after one year	17		(181,226)		(547,025)
Total net assets			<u>24,257,995</u>		<u>22,935,428</u>
The funds of the charity:	19				
Restricted income funds			26,177		129,274
Unrestricted income funds:					
Designated funds		1,159,100		–	
General funds		23,072,718		22,806,154	
			<u>24,231,818</u>		<u>22,806,154</u>
Total unrestricted funds			<u>24,231,818</u>		<u>22,806,154</u>
Total charity funds			<u>24,257,995</u>		<u>22,935,428</u>

Approved by the Board of Trustees on 10 March 2025 and signed on their behalf by:

Stephen Muers
Chair of Trustees

Statement of cash flows

For the year ended 30 September 2024

	Note	2024 £	£	2023 £	£
Cash flows from operating activities					
Net income/(expenditure) for the reporting period (as per the statement of financial activities)		1,322,567		(944,896)	
Depreciation charges		3,536		1,756	
Dividends, interest and rent from investments		(411,642)		(447,096)	
(Gains)/Losses on investments		(2,526,450)		(641,780)	
Impairment losses		210,000		250,000	
Decrease/(increase) in debtors		5,537		180,788	
Decrease in creditors		(865,293)		(731,329)	
Net cash used in operating activities			(2,261,745)		(2,332,557)
Cash flows from investing activities:					
Dividends, interest and rents from investments		411,642		447,096	
Purchase of fixed assets		(9,764)		(4,339)	
Proceeds from sale of investments		2,678,366		4,228,021	
Purchase of investments		(997,292)		(2,220,649)	
Transfer in to investment funds		(15,000)		19,294	
Funds released for reinvestment		250,000		–	
Net cash provided by investing activities			2,317,952		2,469,423
Change in cash and cash equivalents in the year			56,207		136,866
Cash and cash equivalents at the beginning of the year			1,183,234		1,046,368
Cash and cash equivalents at the end of the year a			1,239,441		1,183,234

Analysis of cash and cash equivalents and of net debt

	At 1 October 2023 £	Cash flows £	Other non- cash changes £	At 30 September 2024 £
Cash held as part of investment portfolio	84,135	(24,536)	–	59,599
Cash at bank and in hand	1,099,099	80,743	–	1,179,842
a Total cash and cash equivalents	1,183,234	56,207	–	1,239,441

The charity held no borrowings at either 1 October 2023 or 30 September 2024.

1 Accounting policies

a) Statutory information

Friends Provident Charitable Foundation is a charitable company limited by guarantee and is incorporated in the United Kingdom.

The registered office address and principal place of business is The Priory Street Centre, 15 Priory Street, York, YO1 6ET.

b) Basis of preparation

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) – (Charities SORP FRS 102), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting these financial statements are detailed within the relevant accounting policy below.

c) Public benefit entity

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

d) Going concern

The trustees consider that there are no material uncertainties which may cast significant doubt about the charity's ability to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of approval of these financial statements.

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. Trustees are aware that there are net current liabilities but this is principally down to timing and the fact that liabilities are recognised in full for the following 12 months but there is no corresponding income recognised. In addition, the Foundation has significant resources available in fixed asset investments which can be drawn down as required to fund working capital.

e) Income

Income 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 that the amount can be measured reliably.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. This is normally upon notification by our investment managers.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

1 Accounting policies (continued)

f) Fund accounting

Unrestricted funds are donations and other income received or generated by the charity which may be used freely in pursuit of the charity's objects at the discretion of the Trustees.

The investment assets derived from the donation of £20 million from Friends Provident plc in 2004. The assets are expendable at the discretion of the trustees.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

Restricted funds relate to income earned which may only be applied towards specific projects or causes in line with the terms by which the income was received.

g) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Expenditure on raising funds principally relates to the costs of managing the charity's investments.
- Expenditure on charitable activities includes the costs of grant making and associated activities undertaken to further the purposes of the charity and their associated support costs
- Other expenditure represents those items not falling into any other heading

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

h) Grants payable

Grants payable are made to third parties in furtherance of the charity's objects. Single or multi-year grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and that any condition attaching to the grant is outside of the control of the charity.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

i) Allocation of support costs

Expenditure is allocated to the particular activity where the cost relates directly to that activity.

Salary costs are apportioned, based on an estimate of staff time, as follows:

- | | |
|--------------------|-----|
| ● Support costs | 85% |
| ● Governance costs | 15% |

Support and governance costs are allocated in full to charitable activities – Support for Resilient Economies projects.

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

1 Accounting policies (continued)

j) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

k) Tangible fixed assets

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. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

- | | |
|-------------------------|---------|
| ● Computer equipment | 4 years |
| ● Fixtures and fittings | 4 years |

l) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities. The charity does not acquire put options, derivatives or other complex financial instruments.

m) Social Investments

Social investments are valued at their fair value, which would ordinarily equate to market value where this is available. Where fair value is not practicable, social investments are recognised at cost less impairment. An annual review is carried out, either by external independent consultants or by Foundation staff, to determine whether investments should be impaired. Any impairment losses are included within expenditure during the year.

n) 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.

o) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

p) Creditors and provisions

Creditors and provisions 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 and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

1 Accounting policies (continued)

q) 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 with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

r) Pensions

The Foundation operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Foundation in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the Foundation to the fund. The Foundation has no liability under the scheme other than for the payment of those contributions.

2 Income from donations

	2024 Total £	2023 Total £
Donations	522,500	120,013
	<u>522,500</u>	<u>120,013</u>

The Foundation received two large one-off donations from private donors during the year which have been included within unrestricted funds. The first unrestricted donation of £122,500 was fully expended during the year. The second unrestricted donation of £400,000, from the Dandelion Fund, will contribute towards a new grant programme in 2024–25. The Foundation's trustees will determine how the donation is spent.

3 Income from charitable activities

	2024 Total £	2023 Total £
Grant income for Foundation Practice Rating Project	62,500	155,550
	<u>62,500</u>	<u>155,550</u>

All income from charitable activities is restricted.

4 Income from investments

	2024 Total £	2023 Total £
Gross dividends	389,486	431,435
Income from social investments	17,799	11,322
Bank interest	4,357	4,339
	<u>411,642</u>	<u>447,096</u>

All income from investments is unrestricted.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2024

5a Analysis of expenditure (current year)

	Charitable activities		Foundation				
	Raising funds	Support for Resilient Economies projects	Practice Rating Project	Governance costs	Support costs	2024 Total	2023 Total
	£	£	£	£	£	£	£
Investment manager's fees	15,528	-	-	-	-	15,528	15,511
Investment advice & other costs	17,413	-	-	-	-	17,413	3,727
Grant commitments	-	1,045,283	-	-	-	1,045,283	1,335,505
Impairment losses	-	210,000	-	-	-	210,000	250,000
Staff costs (Note 8)	-	-	-	56,178	318,343	374,521	313,180
Staff training, expenses & other related costs	-	-	-	-	34,001	34,001	32,493
Grant advisory group, assessors & grantee support	-	-	-	-	5,588	5,588	1,464
Learning Strategy	-	-	-	-	14,285	14,285	4,593
Equity Group	-	-	-	-	-	-	2,400
Climate Emergency Developments	-	-	-	-	7,000	7,000	-
Communication, dissemination & website costs	-	-	34,998	-	96,578	131,576	116,729
Overhead costs	-	-	-	-	92,952	92,952	71,807
Operational investment costs	-	-	-	-	40,696	40,696	16,359
Legal & professional fees	-	-	147,299	-	24,449	171,748	116,735
Auditor's remuneration	-	-	-	17,017	-	17,017	15,643
Trustee meetings & expenses	-	-	-	22,917	-	22,917	13,189
	32,941	1,255,283	182,297	96,112	633,892	2,200,525	2,309,335
Support costs	-	633,892	-	-	(633,892)	-	-
Governance costs	-	96,112	-	(96,112)	-	-	-
Total expenditure 2024	32,941	1,985,287	182,297	-	-	2,200,525	
Total expenditure 2023	19,238	2,151,056	139,041	-	-		2,309,335

All expenditure in both 2023-24 and 2022-23 was made from unrestricted funds, apart from that relating to the Foundation Practice Rating Project which was made from restricted funds.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2024

5b Analysis of expenditure (prior year)

	Charitable activities					2023 Total £
	Raising funds £	Support for Resilient Economies projects £	Practice Rating Project £	Governance costs £	Support costs £	
Investment manager's fees	15,511	-	-	-	-	15,511
Investment advice & other costs	3,727	-	-	-	-	3,727
Grant commitments	-	1,335,505	-	-	-	1,335,505
Impairment losses	-	250,000	-	-	-	250,000
Staff costs (Note 8)	-	-	-	46,977	266,203	313,180
Staff training, expenses & other related costs	-	-	-	-	32,493	32,493
Grant advisory group, assessors & grantee support	-	-	-	-	1,464	1,464
Learning Strategy	-	-	-	-	4,593	4,593
Equity Group	-	-	-	-	2,400	2,400
Performance evaluation	-	-	-	-	-	-
Communication, dissemination & website costs	-	-	33,014	-	83,715	116,729
Overhead costs	-	-	-	-	71,807	71,807
Investment engagement fees	-	-	-	-	16,359	16,359
Legal & professional fees	-	-	106,027	-	10,708	116,735
Auditor's remuneration	-	-	-	15,643	-	15,643
Trustee meetings & expenses	-	-	-	13,189	-	13,189
	19,238	1,585,505	139,041	75,809	489,742	2,309,335
Support costs	-	489,742	-	-	(489,742)	-
Governance costs	-	75,809	-	(75,809)	-	-
Total expenditure 2023	19,238	2,151,056	139,041	-	-	2,309,335

Notes to the financial statements

For the year ended 30 September 2024

6 Grant making (current year)

	2024 £	2023 £
Grants payable at the start of the year	2,171,035	2,905,752
Grant commitments made in the year	873,684	1,312,410
Grants (written back) or adjusted	171,599	23,095
Net grants committed in the year	1,045,283	1,335,505
Grants paid	(1,951,390)	(2,070,222)
Grants payable at the end of the year	1,264,928	2,171,035
Creditors: amounts due within one year (note 16)	1,083,702	1,624,010
Creditors: amounts due in over one year (note 17)	181,226	547,025
Total creditors at the end of the year	1,264,928	2,171,035

Details of the grant commitments made in the year can be found in the Trustees' Annual Report.

7 Net income/(expenditure) for the year

This is stated after charging:

	2024 £	2023 £
Depreciation	3,536	1,756
Operating lease rentals payable:		
Property	–	19,250
Auditor's remuneration (excluding VAT):		
Audit	13,750	12,500

8 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2024 £	2023 £
Salaries and wages	304,220	252,075
Social security costs	25,495	20,272
Employer's contribution to defined contribution pension schemes	44,806	40,767
Other forms of employee benefits	–	66
	374,521	313,180

Notes to the financial statements

For the year ended 30 September 2024

8 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel (continued)

The following number of employees received employee benefits (excluding employer pension costs and employer's national insurance) during the year between:

	2024 No.	2023 No.
£70,000 – £79,999	–	1
£80,000 – £89,999	1	–

The total employee benefits (including employer's pension contributions and employer's national insurance) of the key management personnel were £280,762 (2023: £234,619).

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2023: £nil). No charity trustee received payment for professional or other services supplied to the charity (2023: £nil).

Trustees' expenses represents the payment or reimbursement of travel, subsistence, training and IT/technology costs totalling £2,987 (2023: £1,650) incurred by 9 (2023: 10) members relating to attendance at meetings of the trustees.

9 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 8.0 (2023:7.8). The full time equivalent number of staff was 6.1 (2023: 5.5).

10 Related party transactions

Due to the nature of the Foundation's operations and the composition of the trustee board and staff and their charitable interests, it is possible that the Foundation will make a donation to a charity in which a trustee or staff member may have a governance interest. In recognition of this possibility, trustees have developed a policy of disclosure to ensure there is no conflict of interest and that such a donation is made at arm's length.

Stephen Muers, Chair of trustees, is Chief Executive Office of Better Society Capital which has an investment in Ethex. Core funding of £25,000 was awarded to Ethex in June 2024 (2023: £Nil). There was no remaining balance included in grant creditors at 30 September 2024. The Foundation has an investment in Ethex with a value of £57,000 at 30 September 2024. A previous impairment of this investment, amounting to £40,000, was reversed during the year.

Ann Don Bosco, a trustee of Friends Provident Charitable Foundation, is a Director of the Economic Change Unit which was given core funding of £100,000 in March 2023. A cost of living increase of £3,000 was awarded this year. There was no remaining balance included in grant creditors at 30 September 2024.

The individuals mentioned above did not take part in the funding/investment decisions involving their related party transactions.

There are no donations from related parties (2023: None) which are outside the normal course of business and no restricted donations from related parties (2023: None).

Other than as disclosed above, there were no other related party transactions during the period of the report (2022–23: no other transactions).

11 Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

12 Tangible fixed assets

	Computer equipment £	Fixtures & Fittings	Total £
Cost			
At the start of the year	14,581	–	14,581
Additions in year	4,964	4,800	9,764
Disposals in year	(4,539)	–	(4,539)
At the end of the year	15,006	4,800	19,806
Depreciation			
At the start of the year	8,448	–	8,448
Charge for the year	3,336	200	3,536
Eliminated on disposal	(4,539)	–	(4,539)
At the end of the year	7,245	200	7,445
Net book value			
At the end of the year	7,761	4,600	12,361
At the start of the year	6,133	–	6,133

All of the above assets are used for charitable purposes.

13 Listed investments

	2024 £	2023 £
Fair value at the start of the year	23,354,528	25,039,414
Additions at cost	684,292	1,920,649
Disposal proceeds	(2,678,366)	(4,228,021)
Transfer (out)/ in during year	15,000	(19,294)
Funds released for reinvestment	(250,000)	–
Net gain/(loss) on change in fair value	2,526,450	641,780
	23,651,904	23,354,528
Cash held by investment broker pending reinvestment	59,599	84,135
Fair value at the end of the year	23,711,503	23,438,663
	2024 £	2023 £
Historical costs of listed investments at the year end	18,234,553	19,356,640
Investments comprise:	2024 £	2023 £
UK Common investment funds	20,013,656	20,193,506
Shares listed on the London Stock Exchange	102,630	61,621
Other investments	3,535,618	3,099,401
Cash	59,599	84,135
	23,711,503	23,438,663

Two amounts, totalling £644,225, were invested in Snowball Impact Investments LP during the year. This was following a commitment to increase the funds invested in Snowball Impact Investments LP up to a maximum of £5 million or 10% of the value of the fund, whichever is the lower, by 31 December 2024.

Notes to the financial statements

For the year ended 30 September 2024

13. Listed investments (continued)

Individual holdings of listed fixed asset investments, held at 30 September 2024, which represent a material proportion of the total value of the fixed asset investment portfolio were as follows:

	Valuation £	Proportion %
Cazenove Sustainable Growth Fund	11,440,315	48.4
BMO Responsible UK Equity Fund	2,662,734	11.3
BMO Responsible Global Equity Fund	3,153,042	13.3
BMO Responsible Sterling Corporate Bond Fund	2,757,566	11.7
Snowball Impact Investments LP	3,535,618	14.9

14 Social investments

	2024 £	2023 £
Balance at the start of the year	379,000	329,000
Additions at cost	313,000	300,000
Loan repayment	–	–
Impairment charge	(210,000)	(250,000)
Balance at the end of the year	482,000	379,000

All social investments have been valued at historical cost, less impairment.

Funds of £250,000 invested into Snowball Impact Management Limited (SIML) during the year were impaired, in accordance with our social investment policy. It was always anticipated that SIML would need additional capital whilst the Snowball Impact Investments LP fund grew to scale and there are plans in place for further capitalisations.

The impairment of £40,000 relating to the investment in the Ethex Investment Club, recognised in the comparative period, has been reversed. The total investment of £57,000 is now included at cost. This is following due diligence and approval of a further investment of £43,000 which is to be made in 2024–25.

Additional funds of £63,000 were invested into Wyre Catchment CIC during the year, bringing the investment up to the total commitment under the loan agreement of £90,000. It is due to be repaid in instalments by 30 November 2030.

Individual holdings of social investments, held at 30 September 2024, were as follows:

	Valuation £	Proportion %
Egni Co-op	100,000	20.7
Energy Garden	100,000	20.7
AWEL Co-op	95,000	19.7
Wyre Catchment CIC	90,000	18.7
Ethex Investment Club	57,000	11.8
People Powered Retrofit Ltd	40,000	8.4
	482,000	100.0

Notes to the financial statements

For the year ended 30 September 2024

15 Debtors

	2024 £	2023 £
Grants receivable	38,600	45,900
Other debtors	–	2,310
Prepayments	42,187	12,606
Accrued income	139,182	164,690
	219,969	225,506

16 Creditors: amounts falling due within one year

	2024 £	2023 £
Grants payable (note 6)	1,083,702	1,624,010
Other creditors	36,401	–
Accruals	46,351	41,938
	1,166,454	1,665,948

17 Creditors: amounts falling due after one year

	2024 £	2023 £
Grants payable – within 1 to 5 years (note 6)	181,226	547,025
	181,226	547,025

18a Analysis of net assets between funds (current year)

	Restricted £	General unrestricted £	Designated £	Total funds £
Tangible fixed assets	–	12,361	–	12,361
Investments	–	24,193,503	–	24,193,503
Current assets	26,177	214,534	1,159,100	1,399,811
Current liabilities	–	(1,166,454)	–	(1,166,454)
Long term liabilities	–	(181,226)	–	(181,226)
Net assets at 30 September 2024	26,177	23,072,718	1,159,100	24,257,995

18b Analysis of net assets between funds (prior year)

	Restricted £	General unrestricted £	Designated £	Total funds £
Tangible fixed assets	–	6,133	–	6,133
Investments	–	23,817,663	–	23,817,663
Current assets	129,274	1,195,331	–	1,324,605
Current liabilities	–	(1,665,948)	–	(1,665,948)
Long term liabilities	–	(547,025)	–	(547,025)
Net assets at 30 September 2023	129,274	22,806,154	–	22,935,428

19a Movements in funds (current year)

	At 1 October 2023 £	Income & gains £	Expenditure & losses £	Transfers £	At 30 September 2024 £
Restricted funds:					
Restricted funds:					
Foundation Practice Rating Project	129,274	62,500	(182,297)	16,700	26,177
Total restricted funds	129,274	62,500	(182,297)	16,700	26,177
Unrestricted funds:					
Designated funds:					
Foundation Practice Rating Project – funds contributed by Friends Provident Foundation	–	–	–	33,300	33,300
Grant funding of core organisational costs	–	–	–	1,125,800	1,125,800
Total designated funds	–	–	–	1,159,100	1,159,100
General funds	22,806,154	3,460,592	(2,018,228)	(1,175,800)	23,072,718
Total funds	22,935,428	3,523,092	(2,200,525)	–	24,257,995

Funds held during the current and prior year comprised of both restricted and unrestricted funds. The narrative to explain the purpose of the restricted and designated funds is given at the foot of the note below.

In March 2024, the Trustee Board agreed to designate £50,000, as the Foundation's contribution to the Practice Rating Project project over a three year period. Of this, £16,700 has been transferred into the project's restricted fund for the current financial year, leaving £33,300 in designated funds. A further £1,125,800 has been set aside in designated funds, relating to an extension of core funding to eight existing grantholders which was approved in principle by the Trustee Board in September 2024.

19b Movements in funds (prior year)

	At 30 September 2022 £	Income & gains £	Expenditure & losses £	Transfers £	At 1 October 2023 £
Restricted funds:					
Restricted funds:					
Foundation Practice Rating Project	82,765	155,550	(139,041)	30,000	129,274
Total restricted funds	82,765	155,550	(139,041)	30,000	129,274
Unrestricted funds:					
Designated funds:					
Foundation Practice Rating Project	30,000	–	–	(30,000)	–
Total designated funds	30,000	–	–	(30,000)	–
General funds	23,767,559	1,208,889	(2,170,294)	–	22,806,154
Total funds	23,880,324	1,364,439	(2,309,335)	–	22,935,428

19 Movements in funds (continued)

Purpose of restricted funds

During the year, Friends Provident Foundation has coordinated the Foundation Practice Rating Project, working alongside other partner trusts/foundations (see details below). The aim of the project is to develop a new method of assessing the governance and reporting practices of private trusts and foundations in the UK, creating a public record of their achievements. Performance will be assessed in three areas: Transparency, Accountability and Diversity.

External funders for the current phase of the Foundation Practice Rating Project include:

	Total grant	Recognised in 2023–24
	£	£
Barrow Cadbury Trust	6,000	6,000
City Bridge Trust	15,000	5,000
Indigo Trust	45,000	15,000
John Ellerman Foundation	30,000	–
John Lyons Charity	45,000	15,000
Joseph Rowntree Charitable Trust	50,000	–
Joseph Rowntree Reform Trust	7,500	–
Paul Hamlyn Foundation	50,000	17,000
The Robertson Trust	45,000	–
		58,000
Opt-ins for one year only:		
KPMG Foundation, Maitri Trust, Mercer's Charitable Trust & Mission 44		4,500
		62,500

In addition, Friends Provident Foundation has committed £50,000 for the period 2024–26.

Purpose of designated funds

There were no designated funds held at 1 October 2023. During the year, Trustees have approved a further contribution of £50,000, over three years, towards the Foundation Practice Rating Project, with funding for the next two years, amounting to £33,300, held in designated funds at 30 September 2024. In addition, core funding to eight grantholders, of £1,125,800 in total, has been set aside in designated funds, having been approved by Trustees in September 2024. This will extend their core funding over the next three year period.

20 Operating lease commitments payable as a lessee

The charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods

	Property 2024	2023
	£	£
Less than one year	–	19,250
	–	19,250

21 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.

FRIENDS PROVIDENT CHARITABLE FOUNDATION
REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

APPENDICES

- A. Grants made in 2023-24
- B. Summary of Investments held at 30 September 2024

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Appendix A

Grants made in 2023-24

Core Funding

Organisation	Value
Centre for Local Economic Strategies (CLES)	£90,000
Ethex Investment Club	£25,000
Total Core Funding	£115,000

Project Funding

Organisation	Project Name	Value	Description
Institute for the Future of Work	Decentralising Power, Diversifying Voices: Co-designing mechanisms of accountability for artificial intelligence (AI) at work.	£96,587	The project will explore how algorithmic systems concentrate economic power and seeks to shift AI policy by publishing case studies on how new value capture methods are affecting work. Partnering with unions and employers to create technology forums in three workplaces, involve workers in AI governance, and develop mitigations using a tested assessment model. Nationally, they will work with regulators and organisations to amplify worker voices and embed co-governance principles in AI workplace policies.
Kinfolk Network CIC	Political education and praxis: exploring solidarity economics rooted in Black / African traditions.	£80,000	Kinfolk will create and host educational sessions on topics such as mutual aid, food sovereignty and ecological economic relationships. Following these, they will create small communities of practice to help participants apply decolonial economic principles, focusing on supporting Black communities in transforming their economic relationships and engaging in nourishing economic practices and reducing reliance on extractive systems.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Organisation	Project Name	Value	Description
Operation Noah	Working with churches to bring in a climate resilient future based on solutions and not problems.	£55,000	This project continues the Bright Now campaign, focusing on helping UK churches use their resources - money, land, and influence - to shift away from fossil fuel reliance and promote environmental sustainability. The work involves four key areas: training church investors on positive environmental impact, launching the Green Investment Declaration to guide climate-friendly investments, advancing the Big Bank Switch campaign to move funds to green alternatives and encouraging church landowners to adopt practices that enhance carbon sequestration, biodiversity and sustainable farming.
Spotlight on Corruption	Creating more equal access to key economic decision-makers in government to ensure a fairer economy.	£104,300	This project will monitor government commitments to increase transparency in lobbying related to key economic policy departments, particularly the UK Treasury. It will identify and address existing loopholes that allow privileged access by mapping interactions with key officials, analysing transparency data and producing public assessments of access to decision-makers. The project will consult with partners and experts to develop a model policy that promotes equitable access to policy-making processes, aligning with recommendations from the Boardman review and OECD principles. Collaborating with civil society groups, regulators and lobbying professionals, it aims to push for a fair and transparent lobbying framework.
Students Organising for Sustainability	Invest for Change: universities leading a transformational shift in	£174,322	UK universities hold over £19 billion in investments but only a small portion aligns with the goal of a just, decarbonized economy. SOS provides students with detailed ethical finance training, coordinates collective engagement efforts

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Organisation	Project Name	Value	Description
	responsible investment practice.		and supports active campaigns at 36 institutions across the UK. This funding is to enable them to sustain this work and build on the programme's progress. Their key objectives include ensuring universities adopt exemplary responsible investment policies, empowering student leaders to hold institutions accountable and encouraging universities to engage in impactful, high-profile, coordinated activities.
The Centre for Health and the Public Interest (CHPI)	A usable data map of the extraction of profit from health and social care services in England.	£70,000	The project will expand existing datasets on the finances of care services, including NHS PFI deals, to cover mental health, prison healthcare and children's social care. Using data on overseas ownership and NHS outsourcing, it will create a comprehensive analysis of public money flows in the care system. The data will be visualized through an interactive map based on the 44 NHS Integrated Care Systems, illustrating profit extraction from care services. An advocacy toolkit will empower citizens to push for transparency and accountability in healthcare ownership while promoting public-interest business models. A high-impact report will present findings to policymakers, MPs and local authorities, aiming to enhance scrutiny and drive systemic change.
Trade Justice Movement (TJM)	An alternative trade strategy for the UK.	£75,000	The project will be carried out in three phases. Convening and Imagining: TJM will host roundtable discussions with allies from civil society and academia, focusing on themes such as transparency in trade negotiations, corporate accountability, development,

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Organisation	Project Name	Value	Description
			the environment, digital trade and human and labour rights. These sessions will harness the expertise of participants to develop bold recommendations for UK trade policy and guide the work of other civil society organisations in this area. 2. Briefings for Political Audiences: Insights from the discussions will inform the creation and launch of briefing documents on key trade justice themes, structured to align with the chapters envisioned for a UK trade strategy. 3. Advocacy: The briefings will serve as the foundation for targeted engagement with political stakeholders, particularly those influencing government trade policy, as well as the media and civil society groups not traditionally focused on trade issues.
Total Project Funding		£655,209	

Small Grants

Organisation	Project Name	Value	Description
Arkbound Foundation	Our Economy	£9,636	This project will host 12 participatory workshops at the community hub in Govanhill, Glasgow, in collaboration with WeAll Scotland. The workshops aim to present economic concepts in an accessible way, focusing on engaging people from backgrounds typically excluded from economic discussions. Topics will include the circular economy, 'donut' models, tokenomics, degrowth and what a wellbeing economy could look like from the participants' perspectives.

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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Organisation	Project Name	Value	Description
Birbeck University of London	Dark Money: Public Education Audio Documentary	£10,000	Through an immersive narrative-style audio documentary format, our podcast series will elucidate the connections between Britain's Empire and modern structures of illicit finance, grounding abstract concepts in compelling real-life stories. From the 2012 US Presidential election to a house of 40,000 companies in the Cayman Islands and the empty homes of Westminster, London, this gripping tale brings the world of shadow banking into the everyday lives of its listeners. This series will be produced using detailed sound design, archival audio material and clips from in-depth interviews with relevant characters and experts.
Northern Mutual	Market Research: Determining the need for a mutual regional bank for Northern Ireland.	£9,950	The project will select a market research consultant based on value for money, community impact and ethics. The survey will be designed to be statistically representative of the population, covering geodemographics and economic activity. A reliable sample will include around 400 responses from the general public and 50 from SMEs, with participants spanning different levels of engagement with banking products, from limited (e.g., basic accounts) to more extensive use (e.g., mortgages, loans). The survey will cover key topics such as banking trends, trust in banks, use of branches, digitisation, financial exclusion and factors influencing bank choice. The consultant will deliver a final report with recommendations based on survey findings.
One Parent Families Scotland (OPFS)	Empowering Single Parents: Shaping Scotland's	£9,759	The project will establish a single parent expert group, including single parents from six local authority areas in Scotland. The initial focus will be on capacity-building around the wellbeing

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Organisation	Project Name	Value	Description
	Wellbeing Economy		economy, emphasizing social wellbeing, equity and sustainability. With support from OPFS, the group will then develop a plan to engage the wider single parent population in their area, using tools like surveys, social media and online discussions. The goal is to reach 200-300 single parents through an online survey, followed by four discussion groups with approximately eight parents each. The project will ensure the inclusion of more marginalized groups. Findings will be compiled into a short report, including representative quotes, survey statistics and key themes. These results will inform the involvement of single parent experts in the Scottish Parliament's future scrutiny of the Wellbeing & Sustainable Development Bill.
Peers for the Planet (P4P)	Collaborating with new economy experts to tackle structural barriers through parliamentary levers.	£10,000	The project will facilitate a joint workshop bringing together new economy stakeholders and P4P legislative experts to exchange expertise and collaborate on systemic solutions. The session will focus on a practical '4D' legislative lever, such as reforming the capital risk requirement regime, to address structural issues and gain support from aligned legislators. This initiative will serve as a foundation for broader engagement on 4D solutions. Key activities include: • Preparing draft legislative provisions for integration into future legislative opportunities. • Producing high-quality written and oral briefings to support parliamentary work, enabling peers to advance the debate through tools like parliamentary questions, debates and committees.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Organisation	Project Name	Value	Description
			Reviewing progress and outcomes over the year, sharing insights and exploring opportunities for replication and expanded collaboration. The project aims to build momentum, expand political debate (including in the House of Lords) and strengthen advocacy for structural reform.
People's Economy (PE)	Action inquiry on building collaboration between grassroots groups and the new economy movement	£10,000	Over 12 months, PE will facilitate an action inquiry with a mixed group of GCs (Grassroots Campaigners) and NEOs (New Economic Organisations), potentially including supporting funders. The inquiry will focus on how GCs and NEOs can collaborate equitably and effectively on economic system change. The process will be co-designed with the group, covering trust-building, research, developing collaboration practices and testing practical collaboration experiments. All funding from this grant will go directly to the GC's to enable participation.
Planet B	Macrodose Podcast	£12,000	Macrodose's rapid growth highlights the demand for its content. With new funding, the platform aims to maintain its regular programming through 2024 while significantly increasing output around the UK election. Planned activities include: - Producing eight "alternative manifesto" episodes, featuring leading policy experts to promote innovative ideas and build support for new economic policies. - Hosting a series of "election special" interviews with high-profile guests.

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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Organisation	Project Name	Value	Description
			Shifting to a three-day-a-week schedule during the six weeks leading up to the election. These initiatives aim to amplify impactful voices and provide timely, engaging content during a critical political period.
Prime Economics	We are the economy	£10,000	Building on the success of the 'We Are the Economy' campaign, the next phase includes: Developing Messaging: Expanding and refining the original campaign's message. Building a Coalition: Forming a group of 12+ organizations, including Oxfam and the Joseph Rowntree Foundation. Aligning with Political Events: Preparing content around key 2024 political events and election announcements. Creating Newsworthy Content: Producing polling and research to attract media coverage. Social Media Engagement: Sharing videos and graphics to spread the message. Parliamentary Outreach: Distributing briefings to MPs, Prospective Parliamentary Candidates and Lords to build support. Collaborating with Partners: Partnering with ECU and NEON to amplify research and messaging.
Prime Economics	We are the Economy	£15,000	Extension funding to allow the project to build on momentum achieved through the 'We Are the Economy' campaign.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Organisation	Project Name	Value	Description
UK Youth Climate Coalition (UKYCC)	It's Just Economics: Alternative Economics Workshop Series for and by Young People	£7,130	This pilot project will consist of 3 workshops: • Alternative Economic Theories: Experts will present topics like Degrowth, Doughnut Economics, Circular Economics, Decolonised Economics, Feminist Economics, Community Wealth Building and Ethical Banking in an "information fair" format. • Imagining Alternative Futures: This workshop will inspire participants to creatively envision just and sustainable futures, exploring the economic systems needed to support those visions. • Taking Action: Focused on helping young people start their own campaigns or projects, with support from expert facilitators. Targeting young people aged 18-29, the pilot will be held in London at a community centre, where UKYCC's volunteer group is based.
Total Small Grants Funding		£103,475	

Total funding in 2023-24:

Grants Funded	Value
Core Grants	115,000
Projects	655,209
Small Grants	103,475
Total	873,684

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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2024

Appendix B

Summary of Investments

Top 10 underlying funds in Cazenove Capital fund at September 2024:

Schroder WM Global Sustainable Equity Fund GBP
Sparinvest Ethical Global Value Fund GBP
Schroder Sustainable Diversified Alternative Assets Fund GBP
UK Treasury Gilt 1.125%
UBAM Positive Impact Emerging Equity Fund GBP
Vontobel Fund – TwentyFour Sustainable Short Term Bond Income GBP
HSBC Global Investment Funds – Global Equity Sustainable Healthcare GBP
RobecoSAM Sustainable Water Fund GBP
Ninety One Global Environment Fund GBP
Morgan Stanley Global ABS Focused Fund GBP

Top 20 company investments in our Columbia Threadneedle Investments funds at September 2024:

Astrazeneca PLC Common Stock USD.25
Microsoft Corp Common Stock USD.00000625
Apple Inc Common Stock USD.00001
Nvidia Corp Common Stock USD.001
European Investment Bank SR (Responsible Sterling Corporate Bond Fund)
Kreditanstalt Fuer Wiederaufba (Responsible Sterling Corporate Bond Fund)
Unilever plc Common Stock GBP.00031111
Linde PLC Common Stock
Mastercard Inc Common Stock USD.0001
London Stock Exchange Group plc Common Stock GBP.06918605
Smurfit Westrock plc Common Stock
Schneider Electric SE Common Stock EUR4.0
Experian plc Common Stock USD.1
Thermo Fisher Scientific Inc Common Stock USD1.0
Keyence Corp Common Stock
SSE plc Common Stock GBP.5
Ashtead Group plc Common Stock GBP.1
Intuit Inc Common Stock USD.01
Intercontinental Exchange Inc Common Stock USD.01
Waste Connections Inc Common Stock

FRIENDS PROVIDENT CHARITABLE FOUNDATION

England & Wales - Charity number 1087053

Accounts

Charity No: 1087053

Company No: 04228843

**FRIENDS PROVIDENT CHARITABLE FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)**

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

FRIENDS PROVIDENT CHARITABLE FOUNDATION
REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

Reference and Administration Information

Charity Name:	Friends Provident Charitable Foundation
Other names by which the charity is known:	Friends Provident Foundation
Charity Number:	1087053 (England & Wales)
Company Number	04228843 (England & Wales)

REGISTERED ADDRESS

Blake House
18 Blake Street
York
YO1 8QG

BOARD OF TRUSTEES

Members:	Abraham Baldry Paul Blyth (from April 2023) Paul Dickinson (to September 2023) Ann Don Bosco Joanna Elson (Vice Chair) Kathleen Kelly Stephanie Maier Stephen Muers (Chair) Aphra Sklair Caroline Taylor (from April 2023)
Associate Trustee:	Simin Wadiwala (from July 2023)

KEY MANAGEMENT PERSONNEL

Foundation Director	Danielle Walker Palmour
Head of Funding Strategy	Abigail Gibson
Investment Engagement Manager	Colin Baines (to October 2022) Charlie Crossley (from June 2023)
Finance and Operations Manager	Kate Kendall
Communications Manager	Jake Furby

FRIENDS PROVIDENT CHARITABLE FOUNDATION
REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

Reference and Administration Information

PRINCIPAL ADVISORS

Principal Bankers:	CAF BANK Limited PO Box 289 West Malling Kent ME19 4TA	Triodos Bank NV Deanery Road Bristol BS1 5AS
Auditor:	Buzzacott LLP 130 Wood Street London EC2V 6DL	
Investment Advisor:	Peter Jones Independent Advisor	
Solicitors:	Wrigley's Solicitors LLP 3 rd Floor, 3 Wellington Place Leeds LS1 4AP	
Investment Managers:	BMO Asset Management 55 Baker Street London W1U 7EU	Cazenove Capital 1 London Wall Place London EC2Y 5AU
	Snowball Impact Management Ltd 20 Little Britain London EC1A 7DH	

CHAIR'S INTRODUCTION

This year the Foundation has remained focused on our mission of building a fairer and more sustainable economy, using three main tools: our grants support organisations doing fantastic work in this field, our investment capital, and our ability to bring partners together and create wider influence and impact.

The third of those tools had greater prominence this year, as we put the restrictions created by the Covid pandemic behind us and were able to host and participate in more events as well as collecting learnings across projects. I am very pleased we have been able to do so, as it is only by connecting and working with others that we can make meaningful progress. Particular moments to highlight from the year included:

- Our Annual Conference, bringing together many grantholders and partners at Toynbee Hall in East London to share inspiration and learnings. I was personally very pleased to introduce our keynote speaker Aditya Chakraborty, who gave a powerful and personal account of how the UK's current economic model is not working for the area where he grew up.
- An event in partnership with the EIRIS Foundation looking at how foundations can deliver greater impact with how they invest their endowments. It is a slow journey, but I believe that there is now real momentum in the foundation sector towards making genuine impact a more mainstream concern within investment strategies.
- Our report "Learning to Change: Evidence-based Practices to Support the Just Transition" which pulled together insights from three projects we funded (run by the LSE Grantham Institute, the New Economics Foundation and Forum for the Future) and set out some pathways for future work in this area.

As well as this exciting external facing work, there have been a number of changes within the Foundation. In my last report I mentioned the departure of valued staff members and Trustees and we were sad this year that Paul Dickinson came to the end of his trusteeship after many years of providing great energy and inspiration. However, I am delighted to have been able to welcome two new Trustees – Caroline Taylor and Paul Blyth – and our first Associate Trustee, Simin Wadiwala. We are piloting the Associate Trustee programme as a way to learn from a wider range of perspectives and provide a different route into decision-making within the Foundation. On the staff team we have been joined by Kat Chatterton and Charlie Crossley, who are already having a very positive impact on the team and how we work. The whole staff team continue to think deeply and strategically about our work, enabling a very effective collaboration with Trustees. Working as one team is the best way to maximise our impact.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

As we go into next year, we are continuing to review how we work across our grants programme and our investment engagement priorities, to ensure we are using our limited resources most effectively and are providing the best possible experience for those we interact with. We look forward to continuing to develop future plans alongside our partners and stakeholders.

Stephen Muers
October 2023

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

OUR PURPOSE

Friends Provident Foundation is an independent charity that makes grants and uses its endowment towards a fair and sustainable economic system that serves people and planet. We connect, fund, support and invest in new thinking to shape a future economy that works for all.

This annual report has been written in the current context of the cost-of-living crisis, rising inflation and a pending recession that makes the creation of a fair economy more imperative.

We're a catalyst for wider change, making an impact through continuous experimentation and shared learning. We do all we can to embody the change we want to see. We invest in great social enterprises and use our money in line with our values.

We will continue to fund new thinking, connect new ideas, invest our capital in line with our aims and values and create better systems.

This annual report focuses on our main mission which is to create a fair and sustainable economy.

For more information, please visit our website at www.friendsprovidentfoundation.org.

HIGHLIGHTING OUR SUCCESSES

GRANT FUNDING

This year saw the creation of our new small grants programme which sought to provide an entry route for under-resourced or newer entrants to economic systems change work. The programme quickly attracted a high level of applications. So far it has provided funding to seven organisations and projects that were either new or who, whilst established elsewhere, were new to the field of economic systems change. As we approach a full year of implementation, we are now evaluating the successes and challenges of this approach, with the focus on finding the most effective way to support new entrants into the new economy field.

Over the page we highlight one of the successes of the programme, the small grant made to Huddlecraft in December 2022:

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REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

Small Grant: £10,000 over 1 year

Huddlecraft, Money Movers – Women Moving Money for the Planet

The Money Movers project sought to create a movement of women moving their personal finances for climate action. Taking a peer-based relational approach (through 'huddles') the grant allowed Huddlecraft to train a cohort of women to host peer-learning sessions in their communities. These sessions allowed women to grow capabilities, agency and a support network on green finances – and ultimately to move their money in line with climate goals.

The small grant allowed the project to be piloted – providing training to 21 women and resulting with around £150,000 of investments moved to date. Huddlecraft now hope to take this learning to expand the programme to reach more women who want to take control of their finances to contribute to climate action.

We continued to find ways to be a flexible grantmaker – offering our funding to a wide range of organisations. This year we increased the number of grants made via a fiscal hosting arrangement with The Social Change Nest – meaning that applicants who are not constituted or lack the resource or capacity to host their own grant can still be funded by us.

We've also had success in attracting an individual donation for the work we support. This has been incorporated into our grant giving for the year – allowing us to support more projects and organisations.

Over the year we've worked with 83 grantees (with 20 starting and 25 closing over the year). 17 of these were core grants – given in support of the new economy ecosystem. The remainder were project grants covering a wide range of subjects in pursuit of a 4D economy.

Some examples of these are highlighted below:

Project Grant: £75,000 over 14 months

Decolonising Economics - Building an economic democracy rooted in racial justice and social equity

Decolonising Economics is working to build a solidarity economy rooted in racial justice principles. They work in a relational, creative and intersectional way to support an ecosystem of Black and People of Colour (BPOC) organisers working on solidarity economics and Just Transition initiatives and developing an alternative to racialised capitalism. The aim of this work is to develop progressive economic strategies that are designed and delivered by communities with expertise in surviving racial capitalism,

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where BPOC communities are organised and resourced to receive investment into long term strategies for self-determination and survival.

Over the last year Decolonising Economics has held a series of retreats and events for a network of BPOC organisers to grow and develop connections and redistribute time and resources. These have been warm, supportive, creative spaces – sharing intergenerational knowledge and experiences and providing places of rest and care as well as creativity and creation.

Their nourishing economics programme has allowed Decolonising Economics to create space for co-design and experimentation and provide resources for participants to collaborate in developing a narrative about and action towards an economic system that will bring about racial justice and social equity.

Moving forward they are continuing to support this ecosystem through retreats, events, knowledge sharing and practical support. They are also in the process of producing a book and will continue to showcase nourishing economics in a range of creative and engaging ways.

Project Grant: £85,802 over 1 year Kings College London: Citizen's Panel

King's College London was funded to test the potential of deliberate democracy in UK economic policy. In conjunction with Ipsos, they ran the 'Citizens' Economic Council on the Cost of Living' pulling together 39 members of the public for a series of workshops over a three-week period. Leading experts in economic issues provided them with background knowledge to support their ideas and discussion.

At the end of the series, council members were asked to agree a series of fiscal policy recommendations for politicians and economic decision-makers to consider. Despite different starting points the group did find their way to consensus on many issues. Their recommendations included:

- Crisis-response spending packages should focus on outcomes for the most vulnerable first;
- Windfall taxes are an appropriate response to windfall profits, but investment and small businesses should be protected;
- Taxation should be made fairer by rewarding work and focusing the burden more on unearned income and wealth;
- Targets for national debt/deficit reduction should not stifle state investment strategy.

Deliberative democracy seeks to strengthen democracy as a whole by embedding ordinary citizens in decision-making processes.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

Core Funding: £250,000 over 2 years Finance Innovation Lab

The Finance Innovation Lab builds power to transform the financial system for people and planet. They cultivate a community of systems-changemakers and work on transformative but practical initiatives that impact mental models and power dynamics for deep, lasting change. Amongst many other things this year, the Lab has been instrumental in building the 'infrastructure' that allows civil society groups to understand the government's 'once in a generation' programme of financial sector reform and identify opportunities for collective action.

They are currently coordinating the campaign to introduce statutory climate and inclusion mandates for regulators and to defeat the proposal for an 'international competitiveness' mandate which would be a trojan horse for deregulation.

In addition, they are adopting a movement-building approach to build the scale of the ecosystem of 'good' financial institutions that have social purpose embedded across their mission, governance, ownership, culture and leadership. Such institutions include Community Development Finance Institutions (CDFIs), ethical and mutual banks and credit unions. They also run a network of climate 'intrapreneurs' – climate champions within multinational banks – that are working to get their institutions to rapidly align with Paris climate goals. The seniority and influence of this group has significantly increased over time and, today, members range from Vice President level up to Chief Risk Officer.

INVESTMENT

Investment is a key element of our strategy and our impact on the world. Most of our funds are invested in capital markets and directly in social enterprises and funds. This year we continue to play an active role in advocating change by companies we hold, investment managers we engage and amongst peer foundations that share our commitment to mission-driven investment policies and practices.

A key theme, which the bridged grants and investment activity related to, was bringing about a just transition to a net zero economy. This has been an important area for investment engagement. Between November 2020 and November 2021, our engagement secured the publication of formal just transition strategies from five utilities – SSE, Eon, Centrica, EDF and Scottish Power. In 2022, the Foundation and Royal London Asset Management (RLAM) extended our successful engagement to banks and social housing.

The complexity and relatively low level of understanding in both sectors has slowed progress; RLAM published a useful background document on the routes to transition for social housing in 2023 and we continued to look for openings over the course of the year.

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COP26 declaration of asset owner expectations – next steps

Last year, we worked alongside our grantholder, Students Organising for Sustainability (SOS) and the Charities Responsible Investment Network to produce a ‘COP26 declaration of asset owner climate expectations’ and mobilised 27 founding signatories representing assets of £7 billion.

The declaration sets minimum standards to judge asset manager claims against and assist others to judge what is good practice and what is greenwashing. During 2022, signatories have been engaging their managers on these standards to help establish them as market norms. Cazenove/Schroders adopted new policies following our engagement.

Friends Provident Foundation and EIRIS Foundation investment event

At the end of September 2023, we again co-hosted a ‘peer to peer’ learning event with EIRIS Foundation at Toynbee Hall in London. It was tightly focused as a session for the Trustees and staff of foundations and other mission-led asset owners to share their experiences and insights.

We were sorry to say goodbye to our Investment Engagement Manager, Colin Baines, in October 2022. Colin brought huge amounts of energy, expertise, humour and commitment to social and economic justice, to our work and to the sector as a whole. We wish him well in his next role in the pensions industry. In June 2023, we were delighted to be joined by Charlie Crossley as his successor. Charlie brings us new skills, with a background in human rights and evaluation, and an opportunity for the Foundation to review its investment engagement priorities for the coming year.

COMMUNICATIONS

This year marked a new chapter in our approach to social media engagement. We have introduced initiatives like a shared calendar for grantholders, “Mention Mondays,” and “Takeover Thursdays,” which prioritised two-way communication and direct collaboration with grantholders. As a result, we have:

- improved relationships;
- boosted engagement; and,
- streamlined messaging across platforms.

Moving forward, we plan to continue this focus on collaboration and partnership.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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OPERATIONS

This year we have focused on streamlining our file management system in our move towards a paper-minimal office, updated policies and procedures and gained the Cyber Essentials accreditation.

EQUITY AND SOCIAL JUSTICE

We are committed to promoting equity and social justice at all levels. An analysis of our current status indicates we have made progress but there is still more work to do.

Our current team composition (not all staff and Trustees completed the survey):

- 14 Trustees and staff: 11 White, 3 People of Colour
- Disabilities: 4 people identifying with a disability
- Gender Distribution: 9 Women, 4 Men, 1 Non-binary individual
- Sexual Orientation: 3 Non-heterosexual, 11 Heterosexual
- Age Groups: Balanced representation
- Caretaking Responsibilities: 8 members
- Education: Majority attended state schools

We strive to promote accessibility and inclusion for people with disabilities and have been working hard on our communications to achieve this.

In summary, while we are proud of the diversity we have achieved so far, we recognise there are always opportunities to be more inclusive. We will use this analysis to guide our efforts to foster a Board and staff reflecting the full diversity of the wider community.

We've made progress on Equity and Social Justice (ESJ):

- We established a working group consisting of Trustees and staff working together to develop and implement an organisational approach to ESJ.
- We have focused on creating a programme of ESJ training for all staff and Trustees – we started in 2023 with a focus on power and privilege and are moving into more detailed explorations in upcoming sessions during 2024.
- Staff and Trustee demographics: - we have published an ESJ breakdown of staff and Trustees.
- We have made diversity and social justice a focus of our grant-giving – being both a specific strand of grant-making activity (“Supporting ‘outsider voices’ in pushing for a fair transition to a 4D economy”.) and a dimension that all grants are

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

assessed against. This year 30% of new grants were specifically focused on economically marginalized groups or communities (race, gender, age and socio-economic status).

- We collaborated with ShareAction and other partners on the development and funding of the Ethnicity Pay Gap project – seeking to use our influence as an asset owner in FTSE100 companies.

We're continuing to work on:

- An ESJ plan and enhanced Equal Opportunities policy.
- Ethnicity pay gap advocacy through our partnership with ShareAction.
- Implementation of the Diversity, Equity and Inclusion (DEI) data standard to allow us to monitor and take action on the reach of our grantmaking.
- Alternative format documentation and respective monitoring metrics.
- Improved Website Accessibility.

Things we decided not to do:

- We decided not to publish in Welsh due to in-house resource constraint.

CLIMATE EMERGENCY DECLARATION

The Foundation published its Climate Emergency Declaration in September 2019. This year, we made progress in the following areas:

- **We will favour investments in providers of renewable energy generation....and environmental sustainability:** We invested in Energy Garden Ltd which develops community-owned solar projects on London's transport infrastructure. We also increased our investment in the Snowball Impact Investments Fund which aims to provide investments with market returns, along with positive social and environmental impacts.
- **We will use our influence....to promote a just and net-zero carbon transition:** We convened a just transition event to learn from work carried out by the London School of Economics, New Economics Foundation and Forum for the Future, resulting in a report "Learning to Change: Evidence-based Practices to Support the Just Transition".
- **We will provide grants to support a new range of thinking:** We gave small grants to Climate Vanguard to transform the UK youth climate movement into a new economic actor and to Green Finance Community Hub to accelerate green finance locally to enable a fair transition to net zero.

IN-DEPTH ANALYSIS

The following sections expand and explore in more depth our activities this year.

PROGRESS TOWARDS OUR GOALS IN 2022-2023

Trustees set the following six organisational objectives for 2022-23 to enable effective delivery of our mission:

- 1. Implement our rebalanced strategy to reduce grant expenditure and commit more strategic resources to actively use our capital base.**

Reflections

We achieved this goal and introduced a new funding stream, the small grants programme, which focuses on new entrants. The grants programme is being reviewed.

- 2. Recruit and induct new Board member(s) and staff members.**

Reflections

We've achieved this goal. We have:

- Welcomed two new Board members, Caroline Taylor and Paul Blyth.
- Introduced a new Associate Trustee role - filled by Simin Wadiwala.
- Inducted two new staff members, Kat Chatterton, as Office Manager, and Charlie Crossley, as Investment Engagement Manager.

- 3. Make equity and inclusion central to our work.**

Reflections

Partially Achieved

We acknowledge that implementing equity and social justice in our work is a gradual process. Two training sessions have already been conducted and the team is actively embedding these principles into their everyday operations.

- 4. Focus our communications on developing leadership within the foundation sector.**

Reflections

Achieved

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

Our communication strategy is undergoing enhancements, with particular attention paid to social media initiatives. The focus has been on increasing interactions with grantholders and social media "Take Overs". A shared calendar between the team and grantholders is in place. An internal communication review has been conducted to improve effectiveness and efficiency.

5. Scope, procure and implement new systems to support foundation functions.

Reflections

Partially Achieved

Internal communications reviewed and new Teams system being implemented. Review of internal filing structure underway.

6. Design and implement a staff development plan to increase knowledge and productivity.

Reflections

Coaching: this year we offered staff some coaching. This has helped staff focus on development needs and further training opportunities have been taken as an outcome of this support by some staff.

GRANTS REPORT

Last year, the decision was taken by Trustees that, in order to utilise all our assets to achieve our mission, we would rebalance our approach, reducing the level of grant-funding made and increasing our capacity to invest in mission-aligned funds and social enterprises.

This year was the first year where the fact that the Foundation's grants programme has reduced in size began to have an impact. We made 20 grants over the year (although this number was somewhat inflated by our new small grants programme which accounted for seven of these). This total number is fairly in line with the average over the last 3 years (24 grants in 2020/21 and 17 grants 2021/22). The level of funding granted, however, dropped substantially over this period – from £2.5m in 2020/21 to £1.8m in 2021/22 to £1.3m in 2022/23. In addition to funding fewer organisations, we are also funding at lower average levels. The average grant size dropped substantially from £105,000 in 2020/21 to £67,000 (or £97,000 excluding small grants).

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

Number of grants	Average grant size*
20 Grants	£97,000
Core Funding	Average grant length*
45% of grants 64% of value	2 years
* Excluding small grants	

Whilst 45% of grants made were for core funding, they accounted for 65% of committed spend over the year. Inversely, 35% of grants were made under the small grants programme but this accounted for only 5% of spend.

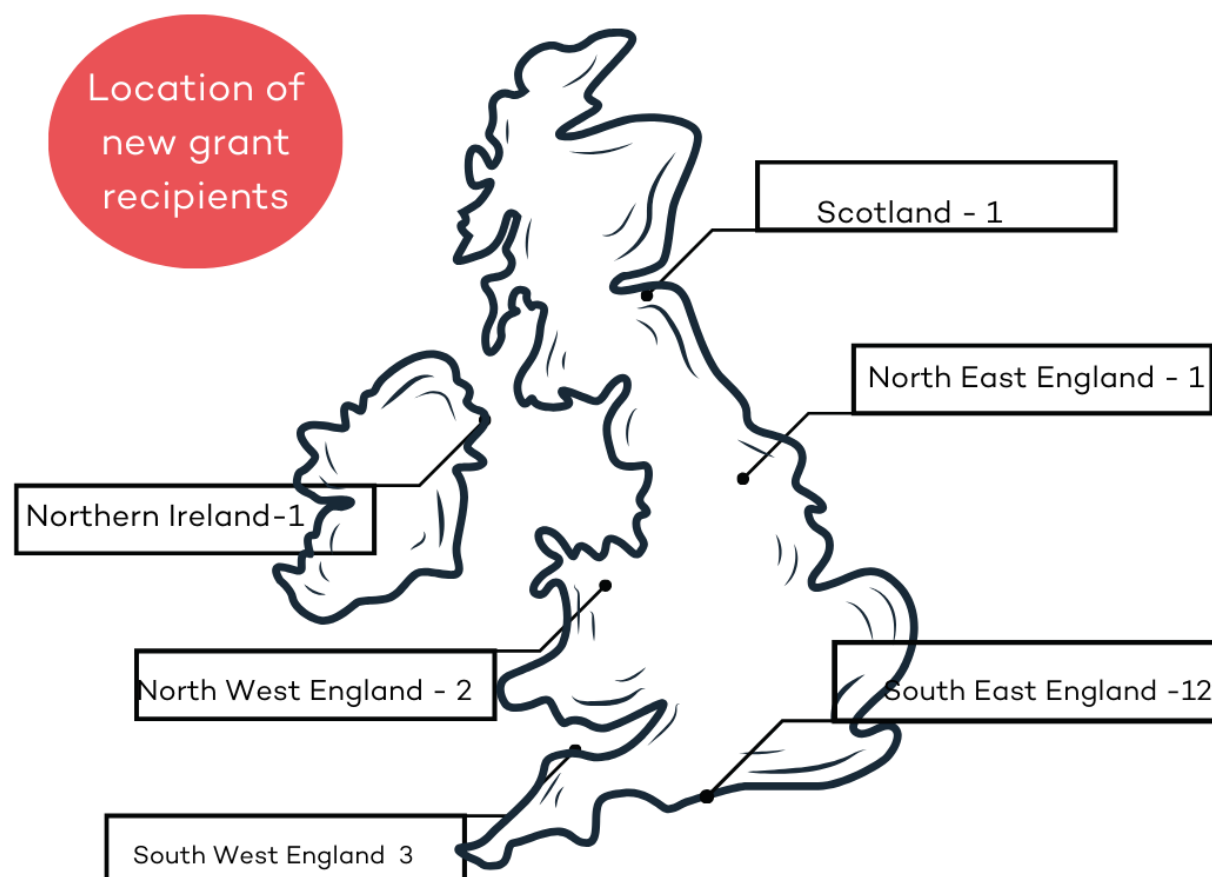
Grants made in 2022-2023

Unrestricted (or 'core') Grants As part of our aim to support the new economics ecosystem – these grants were made to support the overall strategy and mission of organisations strategically aligned to the Foundation's mission for a fair and sustainable economy.	£860,000	64%
Restricted (or 'project') grants Grants made for specific activities under our 'ecosystem' or 'fair transition' strands of funding.	£381,874	29%
Small grants Smaller support grants made to organisations or projects seeking to develop new ways to integrate economic thinking into their work or to bring new and diverse voices into the new economy movement.	£70,536	5%
New grants	£1,312,410	
Increases to existing grants	£23,095	2%
Total grant expenditure this year	£1,335,505	

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

Geographically, most of the grants made were to organisations based (or headquartered) in the Southeast of England (primarily London).



Application success rates

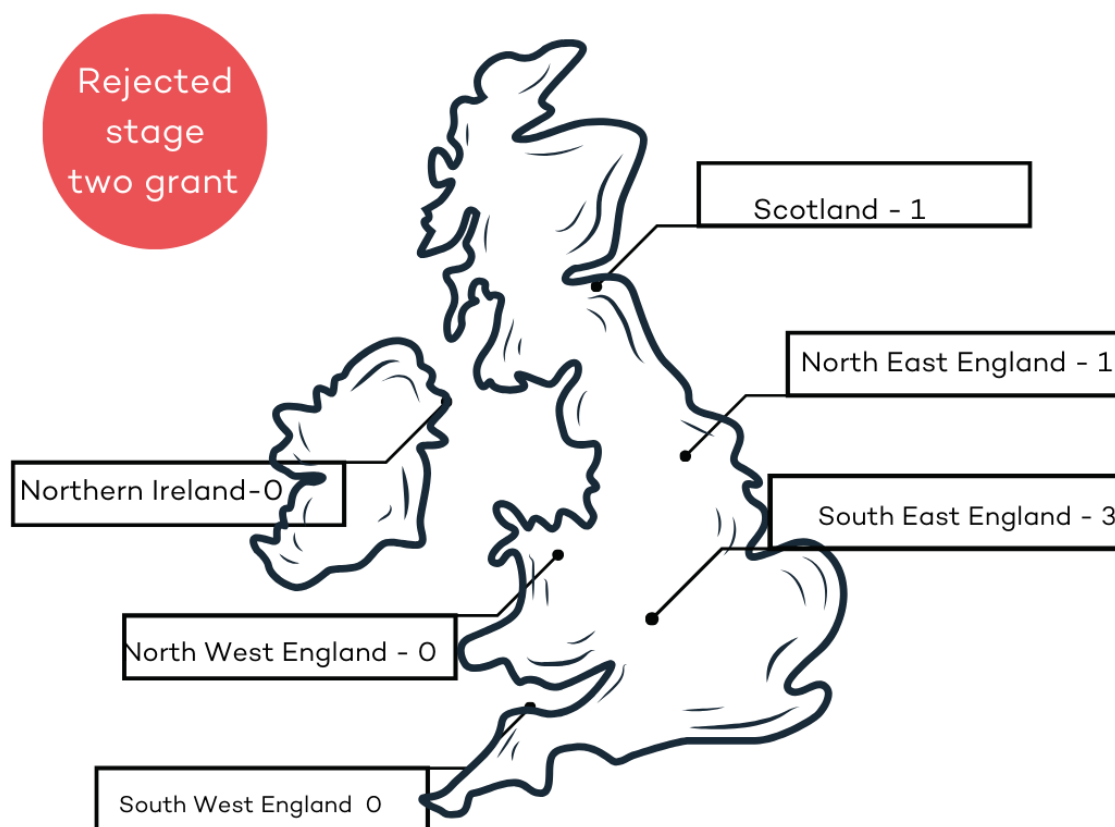
At stage two (full application)	
Funded	80%
Not funded	20%

At stage one, invited to stage 2	7%
Rejected at stage 1	37%
Admin reject (not eligible for funding)	56%

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

Whilst the great majority of those applicants invited to stage two were funded (80%) only 7% of initial applications made it to stage two. Of concern is the 56% 'admin reject' rate – this is the number of applications submitted that were not eligible for funding, indicating that better communication about the nature of the Foundation's grant programme and who can apply is needed. Most of the admin rejects were for applications to the new small grants programme – this is a relatively light touch application process with a faster turnaround – perhaps making applicants more willing to take a risk in applying for funds when unsure about whether they are a fit. When admin rejects are removed from consideration 16% of stage one applications were invited to stage two. This remains a very low rate and supports the case for improvement in our messaging and filtering approach.



REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

COMMUNICATIONS REPORT

This year our communication efforts remained a cornerstone of our organisation's mission. We concentrated on a diverse range of activities to engage our stakeholders, deliver important messages and enhance our presence. In this report, we outline tasks we've focused on throughout the year.

Forward Planner: Our forward planner was successfully implemented, ensuring that the communications manager was aware of key events and reports from our grantholders. This pilot was successful and will be integrated into communication activities going forward.

Two-Way Communication Plan: We established an effective two-way communication plan, facilitating more meaningful interactions with our audience and enhancing their engagement.

Social Media Activities: Our "Mention Mondays" and "Takeover Thursdays" initiatives gained traction, fostering vibrant discussions and boosting our online presence. This pilot was successful and will be integrated into communication activities going forward.

Website Redesign Tender Concluded: After rigorous evaluation, we concluded the website redesign tender, setting the stage for an improved online and accessibility experience.

Events: We successfully organised several key events, including the Annual Conference, an event exploring social enterprises during the York Festival of Ideas, Just Transition learning environment and an Investment Conference. These events contributed to a broader understanding of our organisation's mission, fostered collaboration and created awareness.

Joined Communication Networks: We actively participated in communication networks, enhancing our industry visibility and knowledge sharing.

Things we are still working on:

- Website Redesign
- Communication guides for grantholders

Our communication efforts in 2023 have been marked by significant achievements, from improved planning and engagement to successful events and network participation. As we move forward, we remain focused on refining our website and amplifying our sector. We look forward to another year of progress and achievement in 2024.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

GOALS FOR 2023-2024

In the coming year, we have another ambitious set of organisational goals for both staff and Trustees, the aim of which are to ensure the most effective delivery of our mission:

1. To increase our impact by bringing our grants and investment engagement strategies into closer alignment, building on their respective strengths.
2. To ensure our grant giving is as efficient and effective as possible, within the parameters of our budget and size as a funder.
3. To review, communicate and implement the Foundation's investment policy and approach to align capital with broader strategy.
4. To communicate more effectively by reviewing and reframing our external communications and digital outputs to better support the goals of the Foundation.
5. To make the Foundation's organisational salary and benefits structure more reflective of our mission for a fair and sustainable economic system, reflecting operational and human needs.
6. To increase the effectiveness of our operations and functions by restructuring our systems to support Foundation grants, operations and communications.
7. Refocus our climate emergency declaration to reassess and reduce our carbon impacts and contributions to biodiversity loss in our operations, investment portfolios and through grant-funded activities.
8. To continue to evolve our governance to enable the Foundation to be responsive and reflective of a wider range of experiences of the UK economy

POLICIES, GOVERNANCE AND OPERATIONAL FRAMEWORK

A. Management and Advice

During the year, our investment managers included Columbia Threadneedle Investments, Cazenove Capital and Snowball Impact Management Limited. An investment policy has been agreed by Trustees, with investment objectives shared with the investment managers. The managers provide regular reports and are invited to Investment Committee meetings to discuss asset allocation and investment performance.

To support Foundation staff and Trustees in their commitment to the responsible use of its assets and as a means of sharing our practice, the Foundation continued as a member of the Charities Responsible Investment Network.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

Peter Jones, an independent investment advisor, continued to provide general investment advice to the Trustees, who instruct the investment managers to reflect that advice in their management of the Foundation's assets. Trustees are grateful for his continued support of our work.

Wrigley's Solicitors LLP was retained to provide legal advice on direct investment documentation and on our general charitable activities.

B. Climate Risk Management in Our Investment Portfolio

Trustees are mindful of a wide range of experts who consider that climate risk is arguably the biggest risk to economies today. They understand that climate-related systemic risk could have a highly negative impact not only on the Foundation's assets but also on its core mission and stakeholders through disruption of the financial system, with implications for jobs, incomes and inequality. They seek, therefore, to do whatever they reasonably can to progress a rapid transition to a low-carbon economy and to safeguard the Foundation's capital.

C. Resources

Trustees took the decision that the Foundation can spend its capital as well as its income in pursuit of our mission. This has been at a reduced rate over the past two years, following the decision to reduce grant expenditure to allow for more mission-driven investment. They actively review both strategy and resources to manage the risk of this approach. The current rate of spend is £2.5 million per annum.

Trustees are prepared to consider accepting a higher level of risk or a lower level of financial return than the market norm, especially for those social investments that are closely aligned with the Foundation's specific programme aims. For investments that generate broader positive social impact and meet the Foundation's general charitable objectives, but without specific alignment with programme aims, Trustees might look for levels of risk and return that are closer to the benchmark for that asset class.

D. Risk Management

The Trustees are responsible for overseeing the effective management of the Foundation and for safeguarding its assets. Risk management is an ongoing activity involving all Trustees and is reviewed by Trustees at least annually.

During the year, the Trustees have reviewed the risks facing the Foundation covering governance and management issues, financial, regulatory, legal and operational risks. Mitigating actions have been taken regarding the major risks that have been identified, namely:

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

- Investment risk with loss of income impacting operations and mission: Trustees tolerate this risk whilst closely monitoring the markets and the Foundation's investment portfolios.
- Staff sickness or absence risk arising from having a small team: Plans are in place to mitigate this risk.
- Mission risk – having an ambitious mission with limited resources: Trustees tolerate this risk.
- Reputational risk, such as poor publicity arising from the actions of organisations we fund or inaccurate information on our website: Trustees mitigate and manage this risk.
- Financial risk relating to internal operations and the management of resources: Trustees mitigate and manage this risk with staff and external advisors.

Each risk identified was assessed in terms of the potential impact and likelihood of occurrence and the Trustees confirm that they believe that, for each of these risks, appropriate controls are in place to mitigate the significant risks to an acceptable degree.

E. Reserves and Going Concern

The total charity funds at the year-end of £22.94m (2022: £23.88m) were held in the endowment fund. The capital comprising the Foundation's expendable endowment is the principal source of income to meet the Foundation's objectives and running costs. The Trustees consider that there are no material uncertainties about the Foundation's ability to continue as a going concern.

In 2016 Trustees took the strategic decision to expend capital from the endowment in pursuit of our mission. In order to ensure there are adequate funds to support a potentially higher level of expenditure, the Foundation adopted a policy to 'draw down' a sum from the endowment each year to match the difference between our projected income and our projected expenditure as set by Trustees in the annual business planning process.

In 2021 Trustees decided to slow down the reduction of the capital base. This was to enable a rebalance of internal resources to allow greater focus on investment engagement and impact.

Trustees also recognise that Foundation income from investments can fall. To mitigate this risk, it is the Trustees' intention to hold three to six months' operating costs, which includes grant commitments, as a cash reserve; estimated at £750,000 to £1,500,000. This is held as part of Foundation funds and will not be expended although Trustees do not consider it necessary to have a separate reserves account.

The reserves policy was last reviewed and approved by the Trustees in September 2023. Trustees will continue to review the level of reserves taking into consideration the cost base of the Foundation.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

F. Financial Review and Performance

The Foundation's income is derived from investment performance. Total income for the year ended 30 September 2023 was £722,659 (2022: £689,814), mainly attributable to dividends and interest received from the principal investments – open-ended investment trusts with underlying investments in equities and corporate bonds. As for last year, a donation, and grant funding for the Foundation Rating Project, being coordinated by the Foundation, has added to the income this year. The total expenditure for the year was £2,309,335 (2022: £2,950,988). Of this, grant commitments amounted to £1,335,505 (2022: £1,790,313) and other expenditure was £973,830 (2022: £1,160,675). Net expenditure for the year was £1,586,676 (2022: £2,261,174) before investment gains of £641,780 (2022: losses of £3,789,640), leading to net expenditure of £944,896 (2022: net expenditure of £6,050,814).

As per our investment policy, Trustees expect our mainstream portfolio to produce competitive market returns, as well as reflecting our investment beliefs. Regular reviews of performance by the Investment Committee and advice from our Investment Advisor indicate that performance is in line with market expectations.

G. Staff Remuneration

Trustees have adopted and reviewed the pay policy that applies to all staff members.

Trustees adjusted the measures against which salaries are reviewed annually to ensure a reasonable reflection of the cost of living. This now reflects a cost-of-living measure weighted equally with average wages.

Reflecting our programme focus on pay transparency and in line with NCVO guidance, the ratio between the highest salary (£95,499) and the median salary (£37,014) in the Foundation is 2.6:1. The ratio of the top salary to the lowest is 3.3:1. These calculations are based on full-time equivalent salaries, net of salary sacrifice deductions.

The charity made contributions to employees' personal pension plans based on a fixed percentage of salary. In September 2014, Trustees established a company pension scheme in which contributions are made to NEST.

H. Statement of Fundraising Practices

The Foundation does not engage in public fundraising and does not use professional fundraisers or commercial participators. The Foundation, nevertheless, observes the relevant fundraising regulations and codes. During the year there were no instances of non-compliance with these regulations and codes and the Foundation received no complaints relating to its fundraising practice.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

I. Governance Arrangements

A Board of Trustees, of up to ten individuals, who must hold at least two meetings each year, administers and controls the Foundation and has control of its property and funds. Trustees are subject to fixed-term appointments as set out in the Memorandum and Articles of Association updated in January 2022. During the year, Trustees have formally met four times, plus a residential Away Day.

The Trustees have complied with the duty in Section 17 of The Charities Act 2011 to have due regard to the Charity Commission's published guidance concerning the operation of the Public Benefit requirement under that Act.

J. Trustee Roles and Responsibilities

An individual induction programme is in place and implemented for new Trustees, covering all relevant aspects of the role and the Foundation. We hold regular training and engagement sessions before Trustee meetings with guest speakers to share learning and engage staff and Trustees.

The role of the Trustees includes setting strategic direction and agreeing the financial plan, approving grant-making applications and monitoring the Foundation's grant activities, ensuring that all activities are within its agreed charitable objectives and pursued for the public benefit. Matters reserved for the Trustees are approved by the Trustees and are subject to annual review.

Trustees act on advice and information from regular meetings with the Director and their appointed advisers and from the Foundation's Resources Committee and Investment Committee under terms of reference approved by the Board of Trustees.

K. Trustee Recruitment

Trustees are recruited through open advertisement. They are interviewed by a panel of existing Trustees against a set of advertised criteria and with due regard to the Foundation's commitment to equality of opportunity and fair treatment. We monitor the response to all vacancies in terms of gender, ethnicity and disability.

L. Statement of Responsibilities

The Trustees (who are also directors of Friends Provident Charitable Foundation for the purposes of company law) are responsible for preparing the report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and,
- each Trustee has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

The report of the Trustees has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

Approved by the Trustees on 12 March 2024 and signed on their behalf by

Stephen Muers, Chair of the Board of Trustees

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

Opinion

We have audited the financial statements of Friends Provident Charitable Foundation (the 'charitable company') for the year ended 30 September 2023 which comprise the statement of financial activities, the balance sheet, statement of cash flows and the notes to the financial statements including a summary of the principal 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 charitable company's affairs as at 30 September 2023 and of 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.

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 company 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 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.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

Other information

The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report and financial statements. 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 course of 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 the audit:

- ◆ the information given in the trustees' report, which is also the directors' report 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 trustees' report, which is also the directors' report for the purposes of company law, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report. We have nothing to report in respect of the following matters in relation to which 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; 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; or
- ◆ the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies'

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the charitable company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Companies Act 2006.
- We understood how the charitable company is complying with these legal and regulatory frameworks by making enquiries to management and those responsible for legal and compliance procedures. Through our enquiries we corroborated these views by our review of Board minutes.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

- We assessed the susceptibility of the charitable company's accounts to material misstatement, including how fraud might occur. Audit procedures performed by the audit team included:
 - Enquiries with the trustees and management, whether they have any knowledge of any actual, suspected or alleged fraud; or non compliance with relevant laws and regulations.
 - Identifying and testing journal entries.
 - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures.
 - Investigating material variances from expectations.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

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.

Gumayel Miah ACA (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Friends Provident Charitable Foundation

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 30 September 2023

	Note	Unrestricted £	Restricted £	2023 Total £	Unrestricted £	Restricted £	2022 Total £
Income from:							
Donations	2	120,013	–	120,013	135,313	–	135,313
Charitable activities	3	–	155,550	155,550	–	150,000	150,000
Investments	4	447,096	–	447,096	404,501	–	404,501
Total income		567,109	155,550	722,659	539,814	150,000	689,814
Expenditure on:							
Raising funds		19,238	–	19,238	21,664	–	21,664
Charitable activities							
Support for Resilient Economies		2,151,056	–	2,151,056	2,745,066	–	2,745,066
Foundation Practice Rating Project		–	139,041	139,041	–	184,258	184,258
Total expenditure	5	2,170,294	139,041	2,309,335	2,766,730	184,258	2,950,988
Net (expenditure)/income before net gains on investments		(1,603,185)	16,509	(1,586,676)	(2,226,916)	(34,258)	(2,261,174)
Net gains/(losses) on investments	13	641,780	–	641,780	(3,789,640)	–	(3,789,640)
Net (expenditure)/income		(961,405)	16,509	(944,896)	(6,016,556)	(34,258)	(6,050,814)
Transfers between funds	19	(30,000)	30,000	–	(30,000)	30,000	–
Net movement in funds		(991,405)	46,509	(944,896)	(6,046,556)	(4,258)	(6,050,814)
Reconciliation of funds:							
Total funds brought forward		23,797,559	82,765	23,880,324	29,844,115	87,023	29,931,138
Total funds carried forward		22,806,154	129,274	22,935,428	23,797,559	82,765	23,880,324

All expenditure in both 2022–23 and 2021–22 was made from unrestricted funds, apart from that relating to the Foundation Practice Rating Project which was made from restricted funds.

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 19 to the financial statements.

Friends Provident Charitable Foundation

Balance sheet

Company no. 04228843

As at 30 September 2023

	Note	£	2023 £	£	2022 £
Fixed assets:					
Tangible assets	12		6,133		3,550
Listed Investments	13		23,438,663		25,111,648
Social Investments	14		379,000		329,000
			<u>23,823,796</u>		<u>25,444,198</u>
Current assets:					
Debtors	15	225,506		406,294	
Cash at bank and in hand		1,099,099		974,134	
			<u>1,324,605</u>	<u>1,380,428</u>	
Liabilities:					
Creditors: amounts falling due within one year	16	(1,665,948)		(2,023,065)	
Net current liabilities			<u>(341,343)</u>		<u>(642,637)</u>
Total assets less current liabilities			<u>23,482,453</u>		<u>24,801,561</u>
Creditors: amounts falling due after one year	17		<u>(547,025)</u>		<u>(921,237)</u>
Total net assets			<u><u>22,935,428</u></u>		<u><u>23,880,324</u></u>
The funds of the charity:	19				
Restricted income funds			129,274		82,765
Unrestricted income funds:					
Designated funds		–		30,000	
General funds		22,806,154		23,767,559	
			<u>22,806,154</u>		<u>23,797,559</u>
Total unrestricted funds			<u>22,806,154</u>		<u>23,797,559</u>
Total charity funds			<u><u>22,935,428</u></u>		<u><u>23,880,324</u></u>

Approved by the Board of Trustees on 12 March 2024 and signed on their behalf by:

Stephen Muers
Chair of Trustees

Statement of cash flows

For the year ended 30 September 2023

	Note	2023 £	£	2022 £	£
Cash flows from operating activities					
Net expenditure for the reporting period (as per the statement of financial activities)		(944,896)		(6,050,814)	
Depreciation charges		1,756		1,947	
Dividends, interest and rent from investments		(447,096)		(404,501)	
(Gains)/Losses on investments		(641,780)		3,789,640	
Impairment losses		250,000		399,960	
Decrease/(increase) in debtors		180,788		(29,775)	
Decrease in creditors		(731,329)		(910,372)	
Net cash used in operating activities		(2,332,557)		(3,203,915)	
Cash flows from investing activities:					
Dividends, interest and rents from investments		447,096		404,501	
Purchase of fixed assets		(4,339)		(1,361)	
Proceeds from sale of investments		4,228,021		2,617,704	
Purchase of investments		(2,220,649)		(289,009)	
Transfer in to investment funds		19,294		(12,845)	
Funds released for reinvestment		–		250,000	
Net cash provided by investing activities		2,469,423		2,968,990	
Change in cash and cash equivalents in the year		136,866		(234,925)	
Cash and cash equivalents at the beginning of the year		1,046,368		1,281,293	
Cash and cash equivalents at the end of the year a		1,183,234		1,046,368	

Analysis of cash and cash equivalents and of net debt

	At 1 October 2022 £	Cash flows £	Other non- cash changes £	At 30 September 2023 £
Cash held as part of investment portfolio	72,234	11,901	–	84,135
Cash at bank and in hand	974,134	124,965	–	1,099,099
a Total cash and cash equivalents	1,046,368	136,866	–	1,183,234

The charity held no borrowings at either 1 October 2022 or 30 September 2023.

1 Accounting policies

a) Statutory information

Friends Provident Charitable Foundation is a charitable company limited by guarantee and is incorporated in the United Kingdom.

The registered office address and principal place of business is Blake House, 18 Blake Street, York, YO1 8QG.

b) Basis of preparation

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) – (Charities SORP FRS 102), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting these financial statements are detailed within the relevant accounting policy below.

c) Public benefit entity

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

d) Going concern

The trustees consider that there are no material uncertainties which may cast significant doubt about the charity's ability to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of approval of these financial statements.

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. Trustees are aware that there are net current liabilities but this is principally down to timing and the fact that liabilities are recognised in full for the following 12 months but there is no corresponding income recognised. In addition, the Foundation has significant resources available in fixed asset investments which can be drawn down as required to fund working capital.

e) Income

Income 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 that the amount can be measured reliably.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. This is normally upon notification by our investment managers.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

1 Accounting policies (continued)

f) Fund accounting

Unrestricted funds are donations and other income received or generated by the charity which may be used freely in pursuit of the charity's objects at the discretion of the Trustees.

The investment assets derived from the donation of £20 million from Friends Provident plc in 2004. The assets are expendable at the discretion of the trustees.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

Restricted funds relate to income earned which may only be applied towards specific projects or causes in line with the terms by which the income was received.

g) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Expenditure on raising funds principally relates to the costs of managing the charity's investments.
- Expenditure on charitable activities includes the costs of grant making and associated activities undertaken to further the purposes of the charity and their associated support costs
- Other expenditure represents those items not falling into any other heading

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

h) Grants payable

Grants payable are made to third parties in furtherance of the charity's objects. Single or multi-year grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and that any condition attaching to the grant is outside of the control of the charity.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

i) Allocation of support costs

Expenditure is allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which are an estimate, based on staff time, of the amount attributable to each activity.

Where information about the aims, objectives and projects of the charity is provided to potential beneficiaries, the costs associated with this publicity are allocated to charitable expenditure.

Support and governance costs are allocated in full to charitable activities – Support for Resilient Economies projects.

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

1 Accounting policies (continued)

j) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

k) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

- Computer equipment 4 years

l) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities. The charity does not acquire put options, derivatives or other complex financial instruments.

m) Social Investments

Social investments are valued at their fair value, which would ordinarily equate to market value where this is available. Where fair value is not practicable, social investments are recognised at cost less impairment. An annual review is carried out, either by external independent consultants or by Foundation staff, to determine whether investments should be impaired. Any impairment losses are included within expenditure during the year.

n) 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.

o) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

p) Creditors and provisions

Creditors and provisions 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 and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

1 Accounting policies (continued)

q) 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 with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

r) Pensions

The Foundation operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Foundation in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the Foundation to the fund. The Foundation has no liability under the scheme other than for the payment of those contributions.

2 Income from donations

	2023	2022
	Total	Total
	£	£
Donations	120,013	135,313
	120,013	135,313

The Foundation received a large one-off donation from a private donor during the year which has been included within unrestricted funds. It was fully expended during the year.

3 Income from charitable activities

	2023	2022
	Total	Total
	£	£
Grant income for Foundation Practice Rating Project	155,550	150,000
	155,550	150,000

All income from charitable activities is restricted.

4 Income from investments

	2023	2022
	Total	Total
	£	£
Gross dividends	431,435	374,852
Income from social investments	11,322	29,073
Bank interest	4,339	576
	447,096	404,501

All income from investments is unrestricted.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2023

5a Analysis of expenditure (current year)

	Charitable activities		Foundation				
	Raising funds	Support for Resilient Economies projects	Practice Rating Project	Governance costs	Support costs	2023 Total	2022 Total
	£	£	£	£	£	£	£
Investment manager's fees	15,511	-	-	-	-	15,511	16,603
Investment advice & other costs	3,727	-	-	-	-	3,727	5,061
Grant commitments	-	1,335,505	-	-	-	1,335,505	1,790,313
Impairment losses	-	250,000	-	-	-	250,000	399,960
Staff costs (Note 8)	-	-	-	46,977	266,203	313,180	326,691
Staff training, expenses & other related costs	-	-	-	-	32,493	32,493	21,977
Grant advisory group, assessors & grantee support	-	-	-	-	1,464	1,464	6,825
Learning Strategy	-	-	-	-	4,593	4,593	500
Equity Group	-	-	-	-	2,400	2,400	800
Performance evaluation	-	-	-	-	-	-	-
Communication, dissemination & website costs	-	-	33,014	-	83,715	116,729	81,958
Overhead costs	-	-	-	-	71,807	71,807	66,218
Investment engagement fees	-	-	-	-	16,359	16,359	19,283
Legal & professional fees	-	-	106,027	-	10,708	116,735	190,525
Auditor's remuneration	-	-	-	15,643	-	15,643	10,348
Trustee meetings & expenses	-	-	-	13,189	-	13,189	13,926
	19,238	1,585,505	139,041	75,809	489,742	2,309,335	2,950,988
Support costs	-	489,742	-	-	(489,742)	-	-
Governance costs	-	75,809	-	(75,809)	-	-	-
Total expenditure 2023	19,238	2,151,056	139,041	-	-	2,309,335	
Total expenditure 2022	21,664	2,745,066	184,258	-	-		2,950,988

All expenditure in both 2022-23 and 2021-22 was made from unrestricted funds, apart from that relating to the Foundation Practice Rating Project which was made from restricted funds.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2023

5b Analysis of expenditure (prior year)

	Charitable activities					2022 Total £
	Raising funds £	Support for Resilient Economies projects £	Practice Rating Project £	Governance costs £	Support costs £	
Investment manager's fees	16,603	-	-	-	-	16,603
Investment advice & other costs	5,061	-	-	-	-	5,061
Grant commitments	-	1,790,313	-	-	-	1,790,313
Impairment losses	-	399,960	-	-	-	399,960
Staff costs (Note 8)	-	-	-	49,004	277,687	326,691
Staff training, expenses & other related costs	-	-	-	-	21,977	21,977
Grant advisory group, assessors & grantee support	-	-	-	-	6,825	6,825
Learning Strategy	-	-	-	-	500	500
Equity Group	-	-	-	-	800	800
Performance evaluation	-	-	-	-	-	-
Communication, dissemination & website costs	-	-	25,619	-	56,339	81,958
Overhead costs	-	-	-	-	66,218	66,218
Investment engagement fees	-	-	-	-	19,283	19,283
Legal & professional fees	-	-	158,639	-	31,886	190,525
Auditor's remuneration	-	-	-	10,348	-	10,348
Trustee meetings & expenses	-	-	-	13,926	-	13,926
	21,664	2,190,273	184,258	73,278	481,515	2,950,988
Support costs	-	481,515	-	-	(481,515)	-
Governance costs	-	73,278	-	(73,278)	-	-
Total expenditure 2022	21,664	2,745,066	184,258	-	-	2,950,988

Notes to the financial statements

For the year ended 30 September 2023

6 Grant making (current year)

	2023 £	2022 £
Grants payable at the start of the year	2,905,752	3,812,110
Grant commitments made in the year	1,312,410	1,673,130
Grants (written back) or adjusted	23,095	117,183
Net grants committed in the year	1,335,505	1,790,313
Grants paid	(2,070,222)	(2,696,671)
Grants payable at the end of the year	2,171,035	2,905,752
Creditors: amounts due within one year (note 16)	1,624,010	1,984,515
Creditors: amounts due in over one year (note 17)	547,025	921,237
Total creditors at the end of the year	2,171,035	2,905,752

Details of the grant commitments made in the year can be found in the Trustees' Annual Report.

7 Net (expenditure)/income for the year

This is stated after charging / (crediting):

	2023 £	2022 £
Depreciation	1,756	1,947
Operating lease rentals payable:		
Property	19,250	19,350
Auditor's remuneration (excluding VAT):		
Audit	12,500	7,800

8 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2023 £	2022 £
Salaries and wages	252,075	259,871
Social security costs	20,272	22,409
Employer's contribution to defined contribution pension schemes	40,767	43,375
Other forms of employee benefits	66	1,036
	313,180	326,691

Notes to the financial statements

For the year ended 30 September 2023

8 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel (continued)

The following number of employees received employee benefits (excluding employer pension costs and employer's national insurance) during the year between:

	2023 No.	2022 No.
£70,000 – £79,999	1	1

The total employee benefits (including employer's pension contributions and employer's national insurance) of the key management personnel were £234,619 (2022: £257,625).

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2022: £nil). No charity trustee received payment for professional or other services supplied to the charity (2022: £nil).

Trustees' expenses represents the payment or reimbursement of travel, subsistence and training costs totalling £1,650 (2022: £792) incurred by 10 (2022: 9) members relating to attendance at meetings of the trustees.

9 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 7.8 (2022:8.3). The full time equivalent number of staff was 5.5 (2021: 6.8).

10 Related party transactions

Due to the nature of the Foundation's operations and the composition of the trustee board and staff and their charitable interests, it is possible that the Foundation will make a donation to a charity in which a trustee or staff member may have a governance interest. In recognition of this possibility, trustees have developed a policy of disclosure to ensure there is no conflict of interest and that such a donation is made at arm's length.

During this year a grant of £100,000 was made to Fairshare Educational Foundation (Share Action) for core funding. Paul Dickinson is a trustee of both organisations and was Chair of Share Action from November 2018 to August 2023. The full amount was included in grant creditors at 30 September 2023.

Ann Don Bosco, a trustee of Friends Provident Charitable Foundation, is a Director of the Economic Change Unit which was given core funding of £100,000 this year. £50,000 was included in grant creditors at 30 September 2023.

The following related party transactions were identified from previous years where the grants have still been live during this year:

- Fairshare Educational Foundation (Share Action): A grant of £300,000 was made in December 2020 to provide core funding. A further grant of £122,000 was made in March 2022 to fund a project on ethnicity pay gap reporting. Paul Dickinson is a trustee of both organisations and was Chair of Share Action from November 2018 to August 2023. The 2020 core funding grant was paid in full by the end of this year. £71,166 was included in grant creditors at 30 September 2023 in respect of the ethnicity pay gap reporting project (2022: £122,000).
- University of Birmingham, Centre on Household Assets and Savings Management (CHASM): A grant of £50,000 was awarded in March 2018 for the project 'Monitoring Financial inclusion 2018–2022'. Joanna Elson, a trustee of Friends Provident Charitable Foundation, has since become Chair of CHASM's Advisory Panel. No funds were included in grant creditors at 30 September 2023 (2022: £17,250).
- Simin Wadiwala, who was appointed as an Associate Trustee in July 2023, has links to Decolonising Economics who were awarded a grant of £75,000 in June 2022, prior to her appointment. No funds were included in grant creditors at 30 September 2023 (2022: £75,000).

The individuals mentioned above did not take part in the funding/investment decisions involving their related party transaction.

There are no donations from related parties (2022: None) which are outside the normal course of business and no restricted donations from related parties (2022: None).

Other than as disclosed above, there were no other related party transactions during the period of the report (2021–22: no other transactions).

11 Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

12 Tangible fixed assets

	Computer equipment £	Total £
Cost		
At the start of the year	16,399	16,399
Additions in year	4,339	4,339
Disposals in year	(6,157)	(6,157)
At the end of the year	14,581	14,581
Depreciation		
At the start of the year	12,849	12,849
Charge for the year	1,756	1,756
Eliminated on disposal	(6,157)	(6,157)
At the end of the year	8,448	8,448
Net book value At the end of the year	6,133	6,133
At the start of the year	3,550	3,550

All of the above assets are used for charitable purposes.

13 Listed investments

	2023 £	2022 £
Fair value at the start of the year	25,039,414	31,578,904
Additions at cost	1,920,649	5,009
Disposal proceeds	(4,228,021)	(2,517,704)
Transfer (out)/ in during year	(19,294)	12,845
Funds released for reinvestment	-	(250,000)
Net gain/(loss) on change in fair value	641,780	(3,789,640)
	23,354,528	25,039,414
Cash held by investment broker pending reinvestment	84,135	72,234
Fair value at the end of the year	23,438,663	25,111,648
	2023 £	2022 £
Historical costs of listed investments at the year end	19,356,640	20,167,662
Investments comprise:	2023 £	2022 £
UK Common investment funds	20,193,506	23,735,281
Shares listed on the London Stock Exchange	61,621	59,708
Other investments	3,099,401	1,244,425
Cash	84,135	72,234
	23,438,663	25,111,648

On 19 October 2022, £1,692,871 was transferred from listed investments managed by Columbia Threadneedle Investments to Snowball Impact Investments LP. This was following a commitment to increase the funds invested in Snowball Impact Investments LP up to a maximum of £5 million or 10% of the value of the fund, whichever is the lower, by 31 December 2024. Two further amounts, totalling £227,778, were invested during the year.

Notes to the financial statements

For the year ended 30 September 2023

13. Listed investments (continued)

Individual holdings of listed fixed asset investments, held at 30 September 2023, which represent a material proportion of the total value of the fixed asset investment portfolio were as follows:

	Valuation £	Proportion %
Cazenove Sustainable Growth Fund	10,140,069	43.4
BMO Responsible UK Equity Fund	3,184,686	13.6
BMO Responsible Global Equity Fund	3,457,937	14.8
BMO Responsible Sterling Corporate Bond Fund	3,410,814	14.6
Snowball Impact Investments LP	3,099,401	13.3

14 Social investments

	2023 £	2022 £
Balance at the start of the year	329,000	544,960
Additions at cost	300,000	284,000
Loan repayment	-	(100,000)
Impairment charge	(250,000)	(399,960)
Balance at the end of the year	379,000	329,000

All social investments have been valued at historical cost, less impairment.

Funds of £250,000 invested into Snowball Impact Management Limited (SIML) on 6 October 2022 were impaired, in accordance with our social investment policy. It was always anticipated that SIML would need additional capital whilst the Snowball Impact Investments LP fund grew to scale and there are plans in place for further capitalisations.

Funds of £50,000 were invested into Energy Garden on 30 November 2022. Energy Garden, a Community Benefit Society, already held £50,000 of funds awaiting the launch of its community share offer, taking the Foundation's total investment to £100,000. Energy Garden develops community-owned solar projects on London's transport infrastructure.

Individual holdings of social investments, held at 30 September 2023, were as follows:

	Valuation £	Proportion %
Egni Co-op	100,000	26.4
Energy Garden	100,000	26.4
AWEL Co-op	95,000	25.1
People Powered Retrofit Ltd	40,000	10.5
Wyre Catchment CIC	27,000	7.1
Ethex Investment Club	17,000	4.5
	379,000	100.0

Notes to the financial statements

For the year ended 30 September 2023

15 Debtors

	2023 £	2022 £
Grants receivable	45,900	15,000
Funds held for reinvestment (see note 13 above)	–	250,000
Other debtors	2,310	2,008
Prepayments	12,606	12,972
Accrued income	164,690	126,314
	225,506	406,294

16 Creditors: amounts falling due within one year

	2023 £	2022 £
Grants payable (note 6)	1,624,010	1,984,515
Accruals	41,938	38,550
	1,665,948	2,023,065

17 Creditors: amounts falling due after one year

	2023 £	2022 £
Grants payable – within 1 to 5 years (note 6)	547,025	921,237
	547,025	921,237

18a Analysis of net assets between funds (current year)

	Restricted £	General unrestricted £	Designated £	Total funds £
Tangible fixed assets	–	6,133	–	6,133
Investments	–	23,817,663	–	23,817,663
Current assets	129,274	1,195,331	–	1,324,605
Current liabilities	–	(1,665,948)	–	(1,665,948)
Long term liabilities	–	(547,025)	–	(547,025)
Net assets at 30 September 2022	129,274	22,806,154	–	22,935,428

18b Analysis of net assets between funds (prior year)

	Restricted £	General unrestricted £	Designated £	Total funds £
Tangible fixed assets	–	3,550	–	3,550
Investments	–	25,440,648	–	25,440,648
Current assets	82,765	1,267,663	30,000	1,380,428
Current liabilities	–	(2,023,065)	–	(2,023,065)
Long term liabilities	–	(921,237)	–	(921,237)
Net assets at 30 September 2021	82,765	23,767,559	30,000	23,880,324

Notes to the financial statements

For the year ended 30 September 2023

19a Movements in funds (current year)

	At 1 October 2022 £	Income & gains £	Expenditure & losses £	Transfers £	At 30 September 2023 £
Restricted funds:					
Restricted funds:					
Foundation Practice Rating Project	82,765	155,550	(139,041)	30,000	129,274
Total restricted funds	82,765	155,550	(139,041)	30,000	129,274
Unrestricted funds:					
Designated funds:					
Foundation Practice Rating Project – funds contributed by Friends Provident Foundation	30,000	–	–	(30,000)	–
Total designated funds	30,000	–	–	(30,000)	–
General funds	23,767,559	1,208,889	(2,170,294)	–	22,806,154
Total funds	23,880,324	1,364,439	(2,309,335)	–	22,935,428

Funds held during the current and prior year comprised of both restricted and unrestricted funds. The narrative to explain the purpose of the restricted and designated funds is given at the foot of the note below.

£30,000 has been transferred from the Foundation's designated fund to the Practice Rating Project restricted fund, representing the Foundation's contribution towards the project. These funds were set aside last year to be utilised if required by the project.

19b Movements in funds (prior year)

	At 30 September 2021 £	Income & gains £	Expenditure & losses £	Transfers £	At 30 September 2022 £
Restricted funds:					
Restricted funds:					
Foundation Practice Rating Project	87,023	150,000	(184,258)	30,000	82,765
Total restricted funds	87,023	150,000	(184,258)	30,000	82,765
Unrestricted funds:					
Designated funds:					
Foundation Practice Rating Project	–	–	–	30,000	30,000
Total designated funds	–	–	–	30,000	30,000
General funds	29,844,115	539,814	(6,556,370)	(60,000)	23,767,559
Total funds	29,931,138	689,814	(6,740,628)	–	23,880,324

Purpose of restricted funds

During the year, Friends Provident Foundation has coordinated the Foundation Practice Rating Project, working with fourteen other partner trusts/foundations. The aim of the project is to develop a new method of assessing the governance and reporting practices of private trusts and foundations in the UK, creating a public record of their achievements. Performance will be assessed in three areas: Transparency, Accountability and Diversity.

19 Movements in funds (continued)

Purpose of designated funds

The designated funds held at 1 October 2022 represented a further contribution towards the Foundation Practice Rating Project by Friends Provident Foundation which was approved by Trustees in September 2022. These funds were to be utilised if needed. They have been transferred to the project during the year.

20 Operating lease commitments payable as a lessee

The charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods

	Property 2023 £	2022 £
Less than one year	19,250	21,000
One to five years	–	19,250
	<u>19,250</u>	<u>40,250</u>

21 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.

FRIENDS PROVIDENT CHARITABLE FOUNDATION
REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

APPENDICES

- A. Grants made in 2022-2023
- B. Summary of Investments held in 2022-2023

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

APPENDIX A – GRANTS MADE IN 2022-2023

Core Funding	
Economy Core funding in support of Economy's work with communities in the UK experiencing economic injustice to reimagine, rebalance, and transform the economy. They do this through direct support for changemakers, community education and shaping the wider movement conditions for this work to be effective.	£100,000 over 2 years
FairShare Educational Foundation (ShareAction) Core funding in support of ShareAction's work - acting as a 'critical friend' to many of the largest investors in the UK and EU. ShareAction's focus on catalysing change in capital markets and the wider investment system is designed to produce tangible, positive impacts downstream in the real economy.	£100,000 over 2 years
Finance Innovation Lab Core funding in support of Finance Innovation Lab's work to transform the financial system for people and planet. Finance Innovation Lab cultivate a community of systems-changemakers and work on transformative but practical initiatives that impact mental models and power dynamics for deep, lasting change.	£100,000 over 2 years
New Economics Foundation (NEF) Core funding in support of NEF's work as a thought leader in the new economy ecosystem influencing policies adopted by major political parties and pushing the wider movement towards radical yet achievable goals.	£100,000 over 2 years
Rethinking Economics (REPCE) Core funding in support of Rethinking Economics work to build a diverse movement of people who challenge, interrogate and renew the practice and teaching of economics.	£100,000 over 2 years
Stir to Action Ltd Core funding in support of Stir To Action's work to bridge policy and practice within the new economy sector and to determine wider	£80,000 over 2 years

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

opportunities and limitations for advancing new economic alternatives and democratic ownership across UK workplaces and communities.	
Strategy and Communications Group (ECU) Core funding in support of the ECU's vision of a fair, sustainable, prosperous and resilient economy where everyone has the freedom and security to live a good life. ECU work to accelerate this transition by growing the impact and power of the UK 'new economy' movement and building support for its ideas in politics and society.	£100,000 over 2 years
Tax Justice Ltd Core funding in support of Tax Justice UK's campaigning work and in support of their vision that everyone in the UK should benefit from a fairer and more effective tax system.	£80,000 over 2 years
Wellbeing Economy Alliance Scotland (WEALL Scotland) Core funding is support of WEALL's work to build a movement to develop a sustainable and fair Wellbeing Economy in Scotland and to change the narrative in media and public discourse to create widespread belief and support of an economy designed to deliver wellbeing of people and nature.	£100,000 over 2 years

Project Funding	
Community Action Groups (CAG) Oxford - Owned by Oxford: Black, Minoritised, Marginalized communities creating a just regenerative economy. Oxford has a wealth problem, with roots entwined in colonialism, institutional racism and classism, that obstructs progress towards a fair and sustainable economy for the City. Centring the voices of Black, minoritised and economically-marginalised communities in the development of economic strategy, policy and practice in Oxford. CAG Oxford develop an ecosystem for authentically community-led, regenerative enterprises.	£120,000 over 2 years
Institute for Public Policy Research (IPPR) – New Philanthropy Initiative Research to investigate the levels of potential for greater philanthropic giving in support of the new economy movement in the UK.	£25,000 over 6months

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

New Economy Organisers Network (NEON) – NEON Movement Building NEON's work aims to directly contribute to a strong and diverse movement for new economic thinking and acting in the UK. This grant will help them to support the movement to better challenge the structural problems that are embedded in our economy and work to envisage and create a new economic system that meets our political, social and environmental needs.	£179,000 over 2 years
The Black Economists Network (TBEN) Ltd – TBEN Engage Project TBEN will provide a vital alternative to failed mainstream economic orthodoxy by building the vital infrastructure to nurture Black economists who can drive financial modelling that reflects a variety of economic experiences and reduces inequity.	£57,874 over 1 year

Small Grants Programme	
Climate Vanguard – Transforming the UK Youth Climate Movement into a New Economic Actor Climate Vanguard has been set up to shepherd the evolution of the UK youth climate movement into a new economic actor with a plan to tackle the fact that the economy is hardwired against the interests of people and planet. The youth climate movement must not only demand economic transformation but also create a program of policy demands that shift the predominant economic paradigm that enables the conditions for decarbonisation.	£10,000 over 6months
Green Finance Community Hub – Accelerating Green Finance Locally to Enable to a Fair Transition to New Zero Funding to support community voice in the development of a Climate Finance Accelerator in Cumbria seeking to ensure a fair transition in the to climate mitigation (net zero) and adaptation projects.	£10,000 over 6months
Huddlecraft CIC – Money Movers – Women moving money for the planet Funding in support of the Money Movers programme which seeks to create a movement of women taking control of and moving their personal finances for climate action.	£10,000 over 1 year

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

Community Alliances Ltd - Developing ideas for decentralised community finance infrastructure Community Alliances Ltd envision a future in which everyone can create value, has a voice and collectively can direct it towards neighbourhood wellbeing. They are seeking to deliver neighbourhood empowerment through new community finance infrastructure and a community wellbeing exchange platform designed to democratise local investment.	£10,700 over 1 year
Planet B Productions – Macrodose Podcast Macrodose is a weekly economics podcast providing 15-minute updates on the key stories making the news, and the analysis needed to make sense of them. Macrodose is about democratising economics education, cutting through jargon and building an alternative vision for the economy.	£9,895 over 1 year
This is Rubbish (TiR) CIC – Plenty to Share TiR has been campaigning for an end to poverty and food waste, calling for an environmentally and socially just food system. This work will build the capacity of under-resourced organisations to speak truth to power. It will also focus on the systemic flaws that lead to the need for food aid. Futuring/visioning methods will be used to explore what an alternative economy that centres care and fairness would look like from their perspective for a future without food banks.	£9,950 over 1 year
Trademark Belfast – Building a Democratic Economy in Northern Ireland A project to build the capacity and networks for supporting the transition towards a more democratic and fair economy in Northern Ireland. This is conceived as preparatory work for the establishment of a Centre for Democratic Ownership and Participation.	£9,991 over 1 year

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2023

APPENDIX B: SUMMARY OF INVESTMENTS

Top 10 underlying funds in Cazenove Capital fund at September 2023:

Schroder International Selection Fund – Global Sustainable Growth GBP
Sparinvest Ethical Global Value Fund GBP
Schroder Special Situations Fund – Sustainable Diversified Alternative Assets GBP
UK Treasury Gilt 1.125%
UK Treasury Gilt 0.125%
UBAM Positive Impact Emerging Equity Fund GBP
Vontobel Fund – TwentyFour Sustainable Short Term Bond Income GBP
Wisdom Tree Hedged Metal Sec Ltd – Gold Hedged Index GBP
HSBC Global Investment Funds – Global Equity Sustainable Healthcare GBP
HSBC Sterling ESG Liquidity Fund GBP

Top 20 company investments in our Columbia Threadneedle Investments funds at September 2023:

Apple Inc Common Stock USD.00001
Mastercard Inc Common Stock USD.0001
Linde PLC Common Stock
Accenture PLC Common Stock USD.0000225
Intercontinental Exchange Inc Common Stock USD.01
Astrazeneca PLC Common Stock USD.25 (Responsible UK Equity Fund)
Nvidia Corp Common Stock USD.001
Schneider Electric SE Common Stock EUR4.0
Thermo Fisher Scientific Inc Common Stock USD1.0
Roper Technologies Inc Common Stock USD.01
Xylem Inc/NY Common Stock
ASML Holding NV Common Stock EUR.09
Waste Connections Inc Common Stock
Becton Dickinson & Co Common Stock USD1.0
Aptiv PLC Common Stock USD.01
CSL LTD Common Stock
Astrazeneca PLC Common Stock USD.25 (Responsible Global Equity Fund)
Humana Inc Common Stock USD.1666666
Intuitive Surgical Inc Common Stock USD.001
Autodesk Inc Common Stock USD.01

FRIENDS PROVIDENT CHARITABLE FOUNDATION

England & Wales - Charity number 1087053

Accounts

Charity No: 1087053

Company No: 04228843

**FRIENDS PROVIDENT CHARITABLE FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)**

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

FRIENDS PROVIDENT CHARITABLE FOUNDATION
REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

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FRIENDS PROVIDENT CHARITABLE FOUNDATION
REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

Reference and Administration Information

Charity Name:	Friends Provident Charitable Foundation
Other names by which the charity is known:	Friends Provident Foundation
Charity Number:	1087053 (England & Wales)
Company Number	04228843 (England & Wales)

REGISTERED ADDRESS

Blake House
18 Blake Street
York
YO1 8QG

BOARD OF TRUSTEES

Members:	Abraham Baldry Paul Dickinson Ann Don Bosco Joanna Elson (Vice-chair) Kathleen Kelly Priya Lukka (until 30 th Sept) Stephanie Maier Stephen Muers (Chair) Aphra Sklair
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KEY MANAGEMENT PERSONNEL

Foundation Director:	Danielle Walker Palmour
Investment Engagement Manager:	Colin Baines
Grants Manager	Abigail Gibson
Finance and Operations Manager	Kate Kendall
Communications Manager	Jake Furby

FRIENDS PROVIDENT CHARITABLE FOUNDATION
REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

Reference and Administration Information

PRINCIPAL ADVISORS

Principal Bankers:	CAF BANK Limited PO Box 289 West Malling Kent ME19 4TA	Triodos Bank NV Deanery Road Bristol BS1 5AS
Auditor:	Buzzacott LLP 130 Wood Street London EC2V 6DL	
Investment Advisor:	Peter Jones Independent Advisor	
Solicitors:	Wrigley's Solicitors LLP 3 rd Floor, 3 Wellington Place Leeds LS1 4AP	
Investment Managers:	BMO Asset Management 55 Baker Street London W1U 7EU	Cazenove Capital 1 London Wall Place London EC2Y 5AU
	Snowball Impact Management Ltd 5th Floor, Mitre House 44-46 Fleet Street London EC4Y 1BP	

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

CHAIR'S INTRODUCTION

This is the second year in which I have had the privilege of introducing the Foundation's annual review and reflecting on what the organisation has achieved over the past year. Although the impact of the Covid-19 pandemic has now lessened, the environment for achieving our mission of building a fairer and more sustainable economy is even more challenging. Sharply rising inflation and interest rates have the biggest impact on those with the most limited resources and in the most precarious economic position. Building a system that promotes fairness is more important than ever. This remains central to the Foundation's work, and is the main theme of this year's annual report.

The most significant activity the Foundation undertook this year was reviewing and changing our main grants programme. We took a detailed look at particular aspects of the projects we fund, such as the balance between large and small projects, whether they were being conducted by new or more established partners, whether they were for core funding or specific projects, and so on. We also considered the timeframe over which we were planning to spend our resources, and in which areas we could most effectively work with partners.

This process was expertly stewarded by our Grants Team, and I am very grateful for the way in which they managed to draw in perspectives from all our key stakeholders as well as the trustees. The outcome was that we were able to re-launch our grants programme in the summer of 2022 with three clear pillars where we think we can make the biggest contribution:

- Building a strong and diverse movement to explore new economic thinking;
- Supporting a fair transition to a new economic model that is decarbonised, democratised, decentralised and diversified – a '4D economy'; and,
- Transforming society's financial systems using models that will support a fairer economy.

The third pillar is closely linked to another key area of our work – how we act as an investor to bring about change. This relates to our direct social investments, and also to how we invest our endowment and use it to push for change at a system level. I am very grateful to Colin Baines, who has led this work for the Foundation for the last six years but is now sadly moving on. It has been a very active and productive year for the Foundation's investment, with highlights including investing in community energy pioneer Energy Garden, increasing our allocation to award-winning impact fund Snowball, and working with Royal London Asset Management to persuade major energy companies to publish clear plans around the necessity for a just transition to a low-carbon future.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

Amid the changes we have made to our grants programme, we continued to back exciting new initiatives that promote our overall goal of fairness. To highlight just two, we are funding the Institute of Public Policy Research's work on what a fair tax system for the UK would look like, and Medact's work to enable health workers to run local campaigns around fair access to housing.

Finally, I would like to thank the Foundation's staff, trustees and partners for their commitment, solidarity and achievements over the last year. Particular thanks go to Priya Lukka, who steps down as a trustee, for her extremely valuable contribution to the Foundation's work.

Stephen Muers
October 2022

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

OUR PURPOSE

Friends Provident Foundation is an independent charity that makes grants and uses its endowment towards a fair and sustainable economic system that serves people and planet. We connect, fund, support and invest in new thinking to shape a future economy that works for all.

This annual report has been written in the current context of the cost-of-living crisis, rising inflation and a pending recession that makes the creation of a fair economy more imperative.

We're a catalyst for wider change, making an impact through continuous experimentation and shared learning. We do all we can to embody the change we want to see. We invest in great social enterprises and use our money in line with our values.

We will continue to fund new thinking, connect new ideas, invest our capital in line with our aims and values and create better systems.

This annual report focuses on our main mission which is to create a fair and sustainable economy.

For more information go to our website at www.friendsprovidentfoundation.org

WHAT WE SET OUT TO ACHIEVE THIS YEAR

Trustees set the Foundation these objectives for 2021–22:

- 1. To reduce the rate of spend to approximately £2m per annum over the course of the financial year, in order to ensure we can honour existing commitments.**

Reflections

We achieved this goal alongside the wider strategy review. Our hope is that maintaining our capital base will ensure we are able to support the sector for longer. Additionally, we commissioned Collective Discovery to hold engagement exercises with our grantholders and they helped us to set priorities for the re-shaped programme.

- 2. To learn from our activity through the Learning Strategy, which will be given further impetus in 2021-22.**

Reflections

We consulted key stakeholders to help us shape our new strategy. We are also members of learning networks such as the Institute for Voluntary Action Research (IVAR)'s Open and Trusting Funders, the Grant Givers' Movement, Charities Responsible Investment Network and the Social Impact Investors Group. We initiated

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

the Foundation Practice Rating, which assesses foundations' actions in order to incentivise better practice in key areas of diversity, accountability and transparency. These have all informed improvements we have made to the way we work. We will continue to progress with this next year, embedding learning from the start in the development of our revised strategy.

- 3. To fully review and implement new human resources policies and procedures.**

Reflections

This was partially achieved with the establishment of a new HR system; we are working toward full implementation in 2022-23.

- 4. To develop a programme of work to increase investment engagement/impact investment capacity.**

Reflections

This objective was fully achieved, with an expansion of our investment capacity in 2022–23. We also held an Investment Conference to bring like-minded people together to explore how to start, progress and implement meaningful change.

- 5. To develop communications as a strategic tool. This could be expanded in the following directions:**
 - i. Capacity building the foundations' communications sector in key areas such as equity and inclusion.**
 - ii. Collaborative working.**
 - iii. Investment engagement.**

Reflections

This was fully achieved. A new strategy was agreed by trustees that ensured greater integration of communications in our approach to change, through the framing of the 4D economy, and we expanded our use of social media.

- 6. To revise the Foundation's Theory of Change and develop related metrics for the strategy refresh from June 2022.**

Reflections

This was not completed this year due to a lack of staff capacity, although work on an approach to metrics was included in the strategy refresh.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

OUR ACTIVITIES THIS YEAR

THE 4D ECONOMY

Friends Provident Foundation's mission remains the pursuit of a fair and sustainable economy, but this year we have clarified our vision of such an economy. Our revised strategy is shaped around the concept of a '4D economy' that will:

- **Decarbonise** the economy to tackle climate change, keep global warming below 1.5 degrees Celsius and ensure a planet that is habitable for future generations, ensuring that this transition to a low-carbon future is fair and equitable.
- **Decentralise** the economy to build a fair and sustainable system where people can create and retain value locally and focus on the well-being of their community.
- **Democratise** the economy to ensure communities and workers have power, ownership and control of the assets and businesses that sit at the heart of society.
- **Diversify** the economy to address social and economic injustices.

Below are some examples of projects that have contributed toward a 4D economy this year through our grants and investments.

Decarbonise

Ethical Consumer Research Association Ltd have developed a five star, points-based rating system for comparing funds based on their commitment to tackling climate change.

Decentralise

Community Energy Association (England) Ltd are developing the kinds of support they provide to an increasingly diverse sector in order to play a stronger facilitative and coordinating role. They want to ensure that learning is shared effectively, duplication of effort reduced and sector capacity and skills are increased.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

Democratise

Balanced Economy are establishing an expert hub of anti-monopoly knowledge, analysis and activism to change how to tackle excessive corporate power.

Diversify

ShareAction aims to increase the number of businesses reporting ethnicity pay gap data and ultimately influence the UK government.

STRATEGY

The current economic system produces and reproduces inequality and environmental degradation and undermines responsible business behaviours and positive social interactions. It needn't be this way.

Following this year's strategic review, we have reframed our work to support the creation of a fair economy. Our new approach features a more explicit impact framework built around the 4D economy:

- **Decarbonise** - The economy is structured to facilitate sustainable activity that is framed within a move from carbon dependency.
- **Decentralise** - Economic processes that disperse wealth, risk, capital and power across geographies, sectors and demographics.
- **Democratise** - Economic structures that support people's participation in economic institutions and in shaping how the economy works.
- **Diversify** - An economy that values and embodies diversity of thought and characteristics, informed by a strong inclusive and diverse movement.

Through our grants and investment work we aim to:

- support a wider range of organisations to engage in the global movement for economic change;
- support the transition to a 4D economy;
- fund research that is focused on informing financial systems to be more responsive to the needs of society.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

A REVIEW OF GRANTS MADE IN 2021/22

This year has been one of both continuity and change for our grants programme. Midway through the year we paused our application process to allow time to work on our new strategy and related grant-giving programme. The grants programme closed for new applications in January and re-opened on 31 August 2022.

During this time, we reviewed the Foundation's programme against best practice in the sector and in consultation with our partners and grantholders. We received valuable feedback and have integrated this into our new programme. The consultation with grantholders was undertaken for us by an external consultancy – Collective Discovery – and their report can be found on our website.

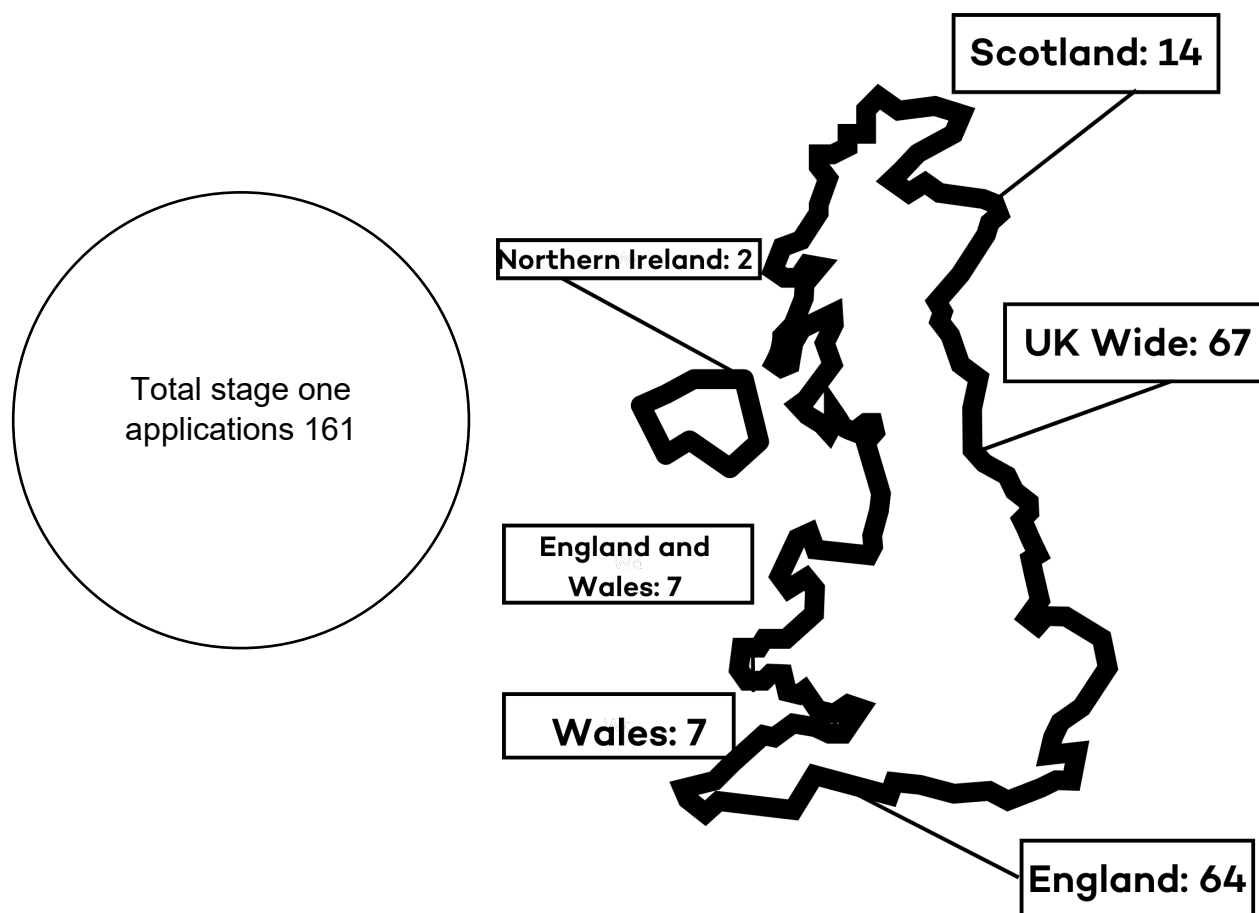
The strategy section above outlines the changes we've made in what we are trying to do, but the feedback process also highlighted areas where we could make improvements to *how* the Foundation operates. These include: moving from payment in arrears to paying in advance; easier access to grants staff for prospective applicants (including open access to the grants diary to book in face-to-face meetings); and clearer and more directive communication of the Foundation's reporting and learning requirements.

We also put in place new systems to allow us to record and report against the diversity, equity and inclusion (DEI) Data Standard, a framework to categorize organizations either led by, or targeting and supporting, groups experiencing structural inequity. This will enable us to be more transparent about who applies to us for funding and who accesses it, and supports our commitment to being accountable, transparent and welcoming of diverse groups and perspectives. We will report on this in the 2022-23 annual report.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

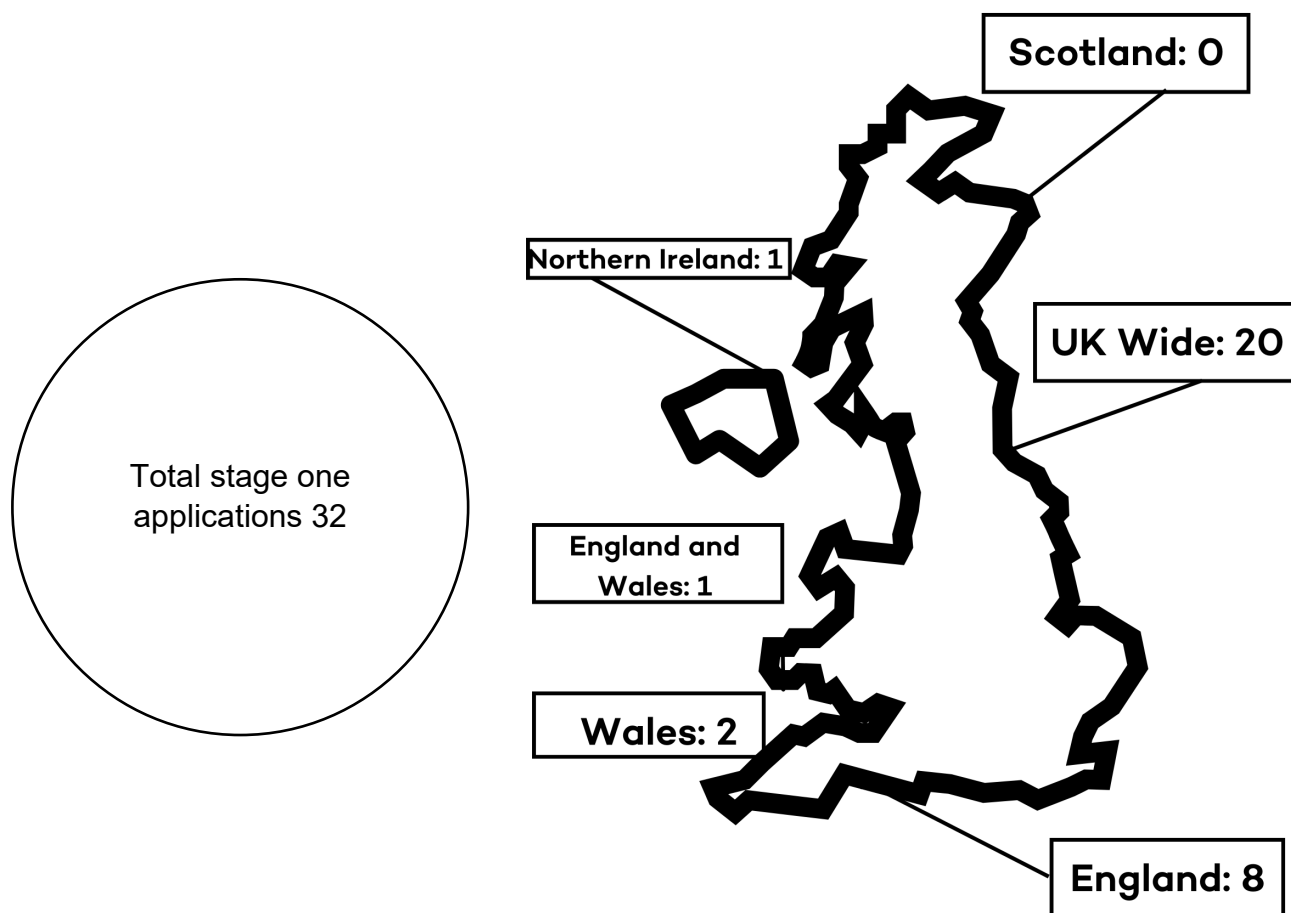
Stage One Applications



	2021-22	2020-21
Number of applications	161	157
Value	£16.4m	£14.5m
Average success rate	14%	9%

FRIENDS PROVIDENT CHARITABLE FOUNDATION
REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

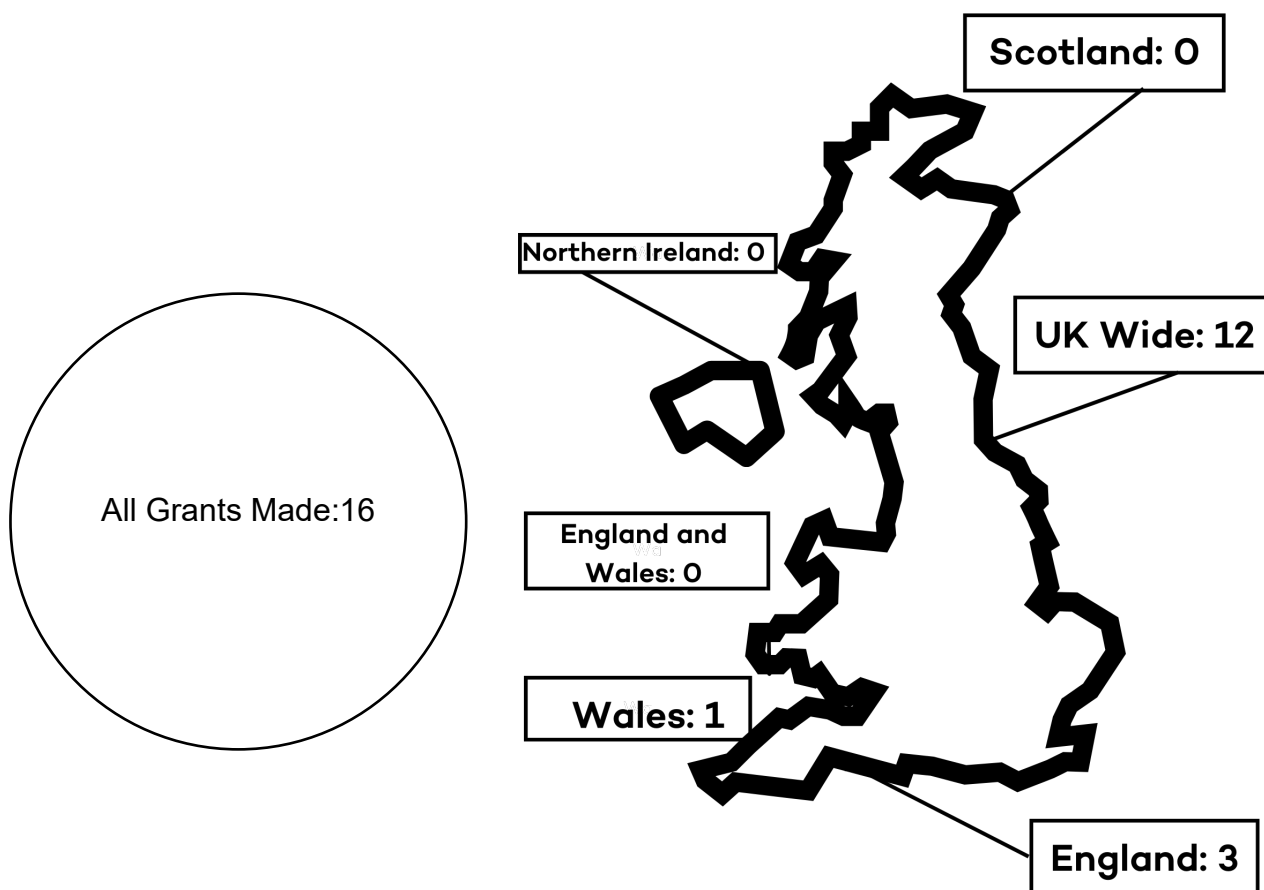
Stage Two Applications



	2021-22	2020-21
Number of applications	32	38
Value	£3.4m	£2.3m
Average success rate	55%	66%

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022



Unrestricted Funding

	2021-22	2020-21
New unrestricted	0	2
Previously funded	3	5
Total	3	7

We consider unrestricted (or core) multi-year funding to be a vital type of support, allowing organisations to focus their energies on strengthening and developing themselves and their services, and the flexibility to adapt and innovate as circumstances dictate. Currently, 36% of the value of our funding portfolio comprises unrestricted grants.

At the end of 2022 we had 71 live grants, worth a total of £9.08m.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

NEW GRANTS - PROJECTS

Balanced Economy Project. *Tackling monopoly power.* Amount awarded: £80,000. Balanced Economy are establishing an expert hub of anti-monopoly knowledge, analysis and activism to 'change the weather' on how to tackle excessive corporate power.

Community Energy Association (England) Ltd. *Nurturing resilience and accelerating growth in the community energy sector.* Amount awarded: £100,000. Community Energy Association (England) Ltd will support a diverse sector and increase sector capacity and skills.

Decolonising Economics. *Building an economic democracy rooted in racial justice and social equity.* Amount awarded: £75,000. Decolonising Economics will offer strategic analysis, educational frameworks and creative exploration to increase Black and People of Colour perspectives to system-change.

Ethical Consumer Research Association Ltd (ECRA). *Fossil-free investment fund ratings system.* Amount awarded: £25,500. ECRA will develop a five star, points-based rating system for comparing funds based on their commitment to tackling climate change.

Fairshare Educational Foundation (operating as ShareAction). *Ethnicity pay gap reporting.* Amount awarded: £122,000. ShareAction aim to increase the number of businesses reporting ethnicity data, and ultimately influence the UK government, to make it a statutory requirement for businesses to report on this (similar to the gender pay gap).

Global Feedback Ltd. *Seeing reparations: Addressing British agribusiness corporations' destruction of nature & communities.* Amount awarded: £100,000. Global Feedback Ltd aims to address the former British Empire's legacy in creating the current destructive food system and establish a framework to attribute current and historical damages.

Institute for Public Policy Research (IPPR). *Fair tax now: Shaping the post-pandemic debate for progressive taxation reform.* Amount awarded: £110,000. The IPPR aims to shape a consensus and wider public debate about taxation reform to deliver economic and environmental justice.

King's College London. *Citizens' assembly on national debt.* Amount awarded: £85,802. A 100-person citizens' assembly will be created, dedicated to understanding national finances and voting on alternative policies

London School of Economics and Political Science. *Financing the Just Transition 2.0: Moving to implementation.* Amount awarded: £85,000. This project aims to support system-level innovation that enables investors and the financial sector to deliver a just transition to a low-carbon future in the UK.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

New Economics Foundation (NEF). *Developing regional economies.* Amount awarded: £200,000. Four leading new economic organisations (NEF, Cooperatives UK, Centre for Local Economic Strategies and Centre for Thriving Places) are working with three combined authorities, local partners and community groups to co-produce regional plans based on well-being outcomes.

Power To Change. *Community power group.* Amount awarded: £5,000. The creation of a consortium of individuals and organisations with an interest in community power.

Solidarity Economy Association. *Solidarity Economy Organisers' Network (SEON).* Amount awarded: £86,028. The Solidarity Economy Association aims to empower local and national organisations and build a collaboration between disparate groups.

Students Organising for Sustainability (SOS). *Invest for change: Universities leading a transformational shift in responsible investment practices.* Amount awarded: £150,000. SOS will seek to mobilise students and university influence to drive transformative change in the finance sector that supports sustainability.

The 10:10 Foundation. *Riding Sunbeams.* Amount awarded: £10,000. A new strategy will be developed for Riding Sunbeams, an organization that aims to decarbonise rail traction networks.

The Class Work Project. *Building the Class Work Project: A working-class co-op for social, cultural, and economic system.* Amount awarded: £88,800. This project aims to centre the leadership and knowledge of poor and working-class people in creating a fair economic system.

The William and Flora Hewlett Foundation. *New Economic Paradigm Funders' Group* - £10,000. Funding to support the costs of consultant Parker Blackman to coordinate meetings of the New Economic Paradigm Group, of which FPF is a member.

NEW GRANTS - CORE

- Centre for Local Economic Strategies. Amount awarded: £94,500.
- Institute for Welsh Affairs. Amount awarded: £100,000.
- Positive Money. Amount awarded: £150,000.

INFLATIONARY GRANT INCREASES

In recognition of the growing cost of living and the impact of this on our grantholders we offered all grantholders a cost-of-living increase in April 2022. The following grant uplifts were made in response to this: Carbon Coop (£3,539), Jubilee Scotland (£2,366), Rethinking Economics (£3,598), Stir to Action (£4,200), Tax Justice UK (£2,170), Trade Justice Movement (£5,000), Wessex Community Assets (£3,325), Women's Budget Group (£7,959), Economy (£10,000), Medact (£7,556), New Economy Organisers' Network (NEON) (£9,941.46), and CLES (£4,500).

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

OTHER GRANT INCREASES

Grant increases were requested and granted to the following grantees over the course of the year:

- Finance Innovation Lab (core funding): £50,000.
- Wellbeing Economy Alliance Scotland (project funding): £33,750.

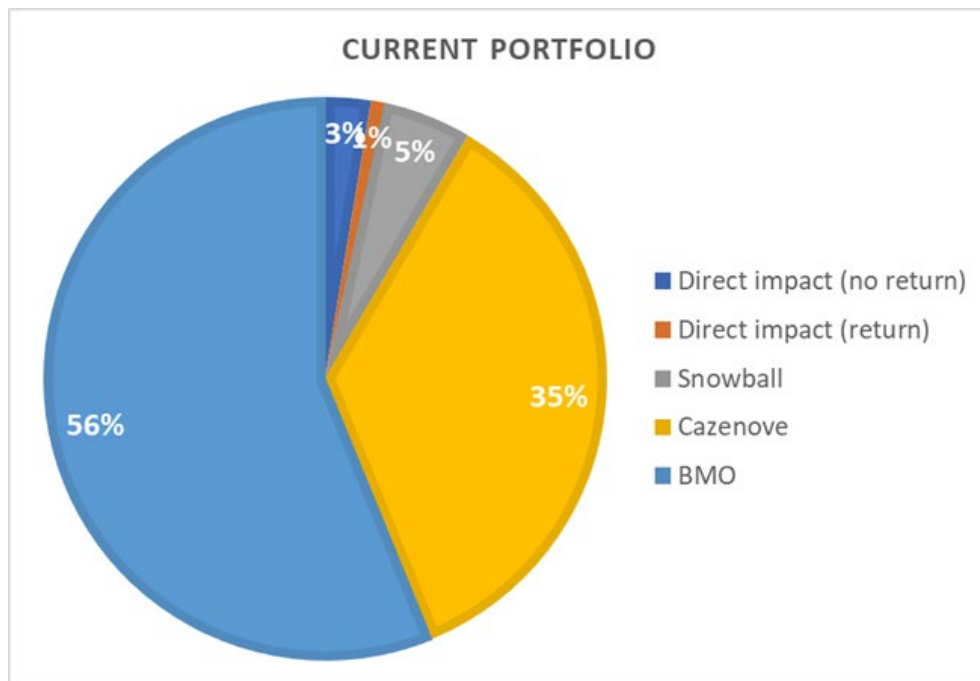
REVIEW OF INVESTMENT ACTIVITY IN 2021-22

HOW WE USE OUR ENDOWMENT

We take an integrated approach to our mission and capital base and use our endowment as a tool for change, including through social investments and asset manager and shareholder engagement.

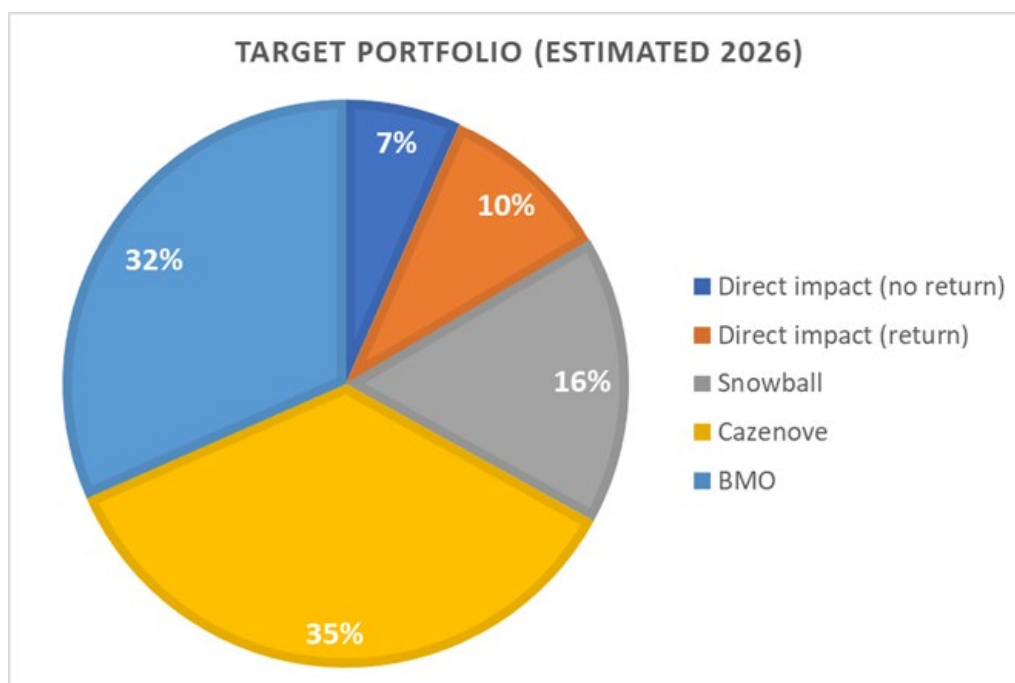
In June 2022, trustees approved a new target investment portfolio and transition plan as part of the Foundation's strategy review. The target investment portfolio increases our allocation to impact investing from 10% of the endowment to 33%.

We estimate the target portfolio will take until 2026 to achieve and estimate a financial return foregone of 0.46%. The Investment Committee will regularly review and monitor progress, income and risk.



FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022



We focus our engagement and social investing efforts on strategic themes to underpin and focus our proactive work, drawn from what we have learned from or key developments in our programme areas.

SHAREHOLDER ENGAGEMENT

Just Transition - The Foundation has partnered with Royal London Asset Management to engage energy utility companies on the trends transforming the power sector and to secure a just transition to a low-carbon future. This programme of engagement has informed and been informed by recommendations from the grant funded London School of Economics Grantham Research Institute 'Financing a Just Transition' programme.

We proposed that the companies develop formal 'just transition' strategies that mitigate negative social impacts and embrace opportunities. In response, SSE plc published the world's first formal just transition strategy in November 2020. Following further engagement, Eon, Centrica, EDF and Scottish Power published formal strategies by our deadline of COP26 in November 2021.

Real Living Wage - Along with 10 other members of the ShareAction-led Good Work Coalition, we co-filed a shareholder resolution at Sainsbury's AGM calling for Living Wage accreditation. This was the first ever such shareholder resolution.

Sainsbury's responded to the resolution by agreeing to increase pay to the Real Living Wage (RLW) for its 19,000 direct employees currently paid below it. The investor coalition declined to withdraw the resolution as Sainsbury's would not agree to accreditation or extend RLW to outsourced employees. 17% of shareholders voted in support at the AGM in July 2022.

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See the section 'Climate Emergency Declaration: Annual Statement' (page 25-27) for further examples of shareholder engagement.

DIRECT SHAREHOLDINGS

In addition to investing in energy utility companies via our pooled fund investments, the Foundation buys direct shareholdings in companies we wish to influence as part of our thematic priorities. Current direct shareholdings include Centrica, Iberdrola, RWE, SSE, EDF, Drax Group, HSBC, Standard Chartered and Sainsbury's.

SOCIAL INVESTMENTS

Snowball Impact Management Ltd - In 2017 the Foundation became the third partner to join Snowball, a ground-breaking multi-asset impact investment fund. Snowball applies a social and environmental impact lens to all its investment analysis, reporting and decision-making. The purpose of Snowball Impact Management, as embedded in its articles, is to 'change behaviours in capital markets so that all capital is invested for social and environmental as well as financial returns'.

Riding Sunbeams Apollo Ltd is a joint venture between Community Energy South, the climate charity Possible, Thrive Renewables and the Foundation. It seeks to decarbonise the transport system by developing community owned renewable energy assets and using the electricity generated to power trains and other forms of transport. The Foundation invested £199,960 in 2020 for equity.

Egni Solar Co-op is installing up to 5MW of rooftop solar on over 200 sites across Wales, including council buildings, university campuses, primary schools, community centres, breweries and sports clubs. The Foundation invested £100,000 in a community share offer in September 2019.

Awel Wind Co-op is a 4.7MW two wind turbine project that is wholly owned and controlled by, and benefits, the local community. The Foundation invested £100,000 in a community share offer in March 2017. Capital of £5,000 has since been repaid.

Energy Garden Ltd is a community benefit society raising funds to develop and acquire solar PV arrays. The income generated will be used to transform London Overground platforms and stations into community gardens and food growing plots and to support volunteers and youth training. The Foundation committed to invest £100,000 in a community share offer in November 2022.

People Powered Retrofit was formed, following a pilot funded by BEIS and a Foundation grant to Carbon Co-op. Its purpose is to develop and deliver domestic energy efficiency, energy management and renewable energy generation services in Greater Manchester and beyond, to advocate for citizen involvement in the energy system and support the dissemination of models. The Foundation invested £40,000 in a community share offer in November 2021.

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Wyre Catchment CIC is a pioneering nature-based solution involving land-use change on up to twelve farms and estates in the upper Wyre catchment in Lancashire. It involves tree planting, restoration of wetlands and re-wetting of peatland, with ecosystem services including flood prevention, carbon sequestration and biodiversity, plus local and downstream economic benefits, including much reduced flood risk. The Foundation is committed to an investment of £90,000 in a nine-year loan via Triodos Bank. The first tranche of £27,000 was paid in September 2022.

Stichting Equileap Foundation is a Dutch-based foundation that established Equileap Information Services as a way of addressing gender equality through gender lens investing. Equileap aims to accelerate progress towards gender equality in the workplace as a powerful lever in tackling inequality. We were delighted that Equileap was successful in attracting new investors to support their further growth and they repaid our 2019 investment of £100,000.

Ethex is a non-profit ethical investment club, which has both ethical investors and ethical businesses as members. Through collaboration and the pooling of resources, it aims to promote and encourage businesses that have both social and commercial goals. The Foundation invested £50,000 in 2013, structured as a loan. £10,000 has since been repaid but a further loan note for £17,000 was issued in January 2022, following a restructure.

THE FOUNDATION'S MAINSTREAM INVESTMENTS

Trustees take into account the Foundation's cash flow requirements, potential investment funds, the cost of fund management and their decision to invest ethically when they decide where to invest the Foundation's portfolio. It is currently invested in a range of funds managed by Columbia Threadneedle Investments: CT Responsible Global Equity Fund, CT Responsible UK Equity Fund and CT Responsible Sterling Corporate Bond Fund, and in the Cazenove Capital Sustainable Growth Fund. In addition, funds held in Snowball Impact Investment LP have been reclassified as mainstream investments, having been included within social investments previously. As part of the transition plan to the new target portfolio, we doubled our investment in the Snowball fund to £3m in October 2022 and entered into an agreement to invest a further £1m for every new £10m of investment Snowball raises until the Foundation's investment in the fund totals £5m.

The Foundation maintains a facility to deposit cash it does not immediately require for operational purposes with Triodos Bank NV, thereby seeking to ensure the ethical management of the Foundation's cash as well as its investments.

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Top 20 company investments in our Columbia Threadneedle Investments funds at September 2022:

Apple	Linde	Thermo Fisher Scientific	Accenture
Humana	Mastercard	Roper Technologies	CVS Health
Autodesk	Scheider Electric	Mettler-Toldeo Intl	AstraZeneca
CSL	Intercontinental Exchange	Becton Dickinson	HDFC Bank
Xylem	NetApp	Acuity Brands	Wolters Kluwer

Top 10 underlying funds in Cazenove Capital fund at September 2022:

Global Direct Equities	Schroder Global Sustainable Growth Fund	Sparinvest Ethical Global Value Fund	Schroders Sustainable Alternative Assets Fund
UBAM Positive Impact	WisdomTree Hedged Gold ETC	iShares Physical Gold ETC	Invesco USD Treasury UCITS
HSBC Global Equity Sustainable Healthcare Fund	Ninety One Global Environment Fund		

Trustees have developed our thinking about our priorities in terms of investment, as well as our policy relating to climate change; the full outline of our investment beliefs and policies are available on our website. We continue to work with other trusts and foundations in the Charities Responsible Investment Network, which is a project of ShareAction UK, supporting a growing number of trusts interested in being more effective stewards of our resources. We are also members of a wider network of charities and other organisations, including the Church Investors Group, Shareholders for Change, UK Sustainable Investment and Finance Association, Good Work Coalition and Workforce Disclosure Initiative.

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REVIEW OF CONVENING AND COMMUNICATIONS

Communications tools are central to our purpose of achieving a fair economy and a better world.

STRATEGY

Our communications strategy has been updated to reflect the change in our main grants programme. This year we introduced key performance indicators to monitor our impact. We have set a baseline grounded on previous years and are pleased to have met our targets. We will continue to improve how we measure our impact.

Social media is a big part of how we communicate and disseminate information. We have implemented our second stage of our social media plan and have established the Foundation on Instagram, Facebook and LinkedIn, alongside Twitter.

We updated the Foundation's website to support our revised strategy and grant tools, such as an eligibility quiz and a common application form that applies across grants and social investment. We want the website to be a hub of information, reports, blogs and videos, and aim to increase its accessibility and usability.

We believe that convening events and projects in collaboration with others enables change to occur. Last year, we hosted:

- our annual conference on Zoom (October 2021) with over 65 participants;
- the launch of the Foundation Practice Rating on Zoom (March 2022) with over 200 participants; and,
- a peer learning event on utilising foundation endowments for mission at Toynbee Hall (September 2022) with over 70 participants.

The dissemination of our funded work underpins our charitable aims and public benefit objectives, and during 2021-22 we were pleased to support a number of publications, all of which are available in our website library.

EQUITY AND SOCIAL JUSTICE

As an organisation, we are aware of how the economy impacts and (re)produces inequality. We were pleased to be assessed by the Foundation Practice Rating as part of the funding group of foundations. Its aim is to improve and change practices in charitable foundations in relation to diversity, accountability and transparency.

The assessment highlighted a number of deficiencies in our practices, including: not providing equal access to our funding, for example not having alternative documentation on the website, resulting in barriers for disabled people; and not publishing a diversity plan with improvement targets. We have been working to address equity and social justice issues such as these through the establishment of a working group of staff and trustees.

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This year we have:

- improved the variety of documentation available on the website;
- created more ways that prospective grant holders can contact us; and,
- surveyed trustees and staff on their protected characteristics and class.

The protected characteristics and class of the Foundation's eight **trustees** were as follows:

- Seven identified as white; one identified as a person of colour.
- One identified as having a disability.
- Five identified as women and three as men.
- The age range was evenly distributed and everyone was of working age.
- Four had caring responsibilities.
- Seven had attended state schools.
- When they were growing up, five out of eight trustees had a parent who was at senior management or other professional level.

The protected characteristics and class of the Foundation's six **staff** were as follows:

- Four identified as white; two identified as non-white.
- Three identified as having a disability.
- Four identified as women, one as a man and one as a non-binary person.
- Four were middle aged (over 45 years old), one was aged 35-44 and one was below 34 years old.
- Four had caring responsibilities.
- Five attended state schools in the UK and 1 staff was educated outside the UK.
- There was no single pattern for parental occupation.

We commissioned Guppi Bola (Independent Advisor) to help us consider implementing diversity and intersectionality policies and practices within the Foundation. The results of this report will inform the work of the Equity and Social Justice Working Group for 2022-23.

CLIMATE EMERGENCY DECLARATION – ANNUAL STATEMENT

In September 2019, the Foundation published a Climate Emergency Declaration, stating our view that 'the prevention of runaway climate change is an eco-socio-economic challenge and prerequisite to achieving our objective of a sustainable and fair economy' and that we believe 'it is the responsibility of every institution, business, investor and employer to transition their purpose and operations to be consistent with keeping global heating below 1.5°C'.

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We made commitments covering investments, grants and operations, which are available on our website, including to report annually on progress as part of our annual report. In 2021-22:

- **We used our influence as a shareholder to ‘promote a just and net-zero carbon transition’.**

Since 2020, we have worked with a ShareAction-led investor coalition to engage HSBC on net zero transition and fossil fuel finance. In April 2022, we withdrew our second shareholder resolution in two years following important commitments secured from HSBC, including to:

- phase down financing of fossil fuels in line with limiting global temperature rise to 1.5°C;
- update the scope of its oil, gas and thermal coal policies by the end of 2022;
- update the scope of its fossil fuel targets to cover capital markets activities by the end of 2022; and,
- publish a transition plan in 2023, which will clearly explain how HSBC will implement its net zero ambition and will be aligned with the 1.5°C goal and just transition principles.

Further action will be taken in 2023 if the bank's new policies fall short of its commitments.

In 2022, we also co-filed a shareholder resolution at Standard Chartered with NGO Market Forces. It called on the bank to:

- cease the provision of finance to fossil fuel expansion, including new projects and expansion of existing projects; and,
- adopt short-, medium- and long-term targets to reduce fossil fuel exposure consistent with the goal of net zero by 2050.

The resolution was the first to be aligned with the new International Energy Agency's (IEA) net zero by 2050 pathway and the first ESG resolution to be tabled at Standard Chartered. 12% of shareholders voted in support at the AGM.

We have also been using shareholdings in energy utility companies to successfully engage them to adopt formal just transition strategies (see ‘Review of Investment Activity in 2021-22 page 17 – 21).).

- **We have used our influence with asset managers and the market to ‘ensure active and high standards of shareholder engagement on climate change’.**

Working alongside grant recipient Students Organising for Sustainability (SOS) and the Charities Responsible Investment Network, we produced the ‘COP26 Declaration of Asset Owner Expectations’, which was launched at a fringe event at

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the COP26 climate talks in November 2021, with 27 founding signatories representing assets of £7 billion.

The Declaration sets minimum standards to judge asset manager claims against and assist others to judge what is good practice and what is greenwashing. During 2022, signatories have been engaging their managers on these standards to help establish them as market norms. Cazenove/Schroders adopted new policies following our engagement and are approaching compliance with the declaration.

- **We have particularly favoured investments in companies whose business models focus on net zero carbon transition.**

Our social investments have a focus on community energy, and in 2021-22 we invested £40,000 in People Powered Retrofit and committed to a new investment of £100,000 in Energy Garden. We also invested £27,000 in nature-based solutions with Wyre Catchment CIC as the first tranche of a £90,000 investment. Our mainstream and Snowball investments include renewable energy, green bonds and energy transition (see 'Review of Investment Activity in 2021-22 page 17 – 21).

- **We committed a strand of our grant work to 'fair transition'**, to address the risk of people and communities being affected by a lack of appropriate skills and economic utility, including as a result of the rapid and far-reaching changes needed to decarbonise the economy. We view a fair transition as a necessity for a rapid and resilient net-zero transition.

In 2021-22, we gave a grant of £100,000 to Community Energy England to support sector resilience and growth, £85,000 to the London School of Economics Grantham Institute for its 'Financing the Just Transition' programme, £150,000 to Students Organising for Sustainability (SOS) for its 'Invest for Change' programme, with students engaging universities to invest endowments sustainably, £25,500 to Ethical Consumer for its fossil-free investment fund ratings system and £10,000 to Riding Sunbeams to support its reorganisation (see 'New Grants – Projects', page 15-16).

- Whilst the pandemic has disrupted the delivery of some **operational commitments**, we have:
 - reduced our catering carbon footprint by switching to meat-free catering;
 - signed up to the 'Climate Perks' commitment from climate charity Possible to offer staff paid 'journey days' to encourage low-carbon holiday travel;
 - engaged our property manager and supported them to introduce building-wide recycling and basic energy efficiency measures; and,
 - reviewed our travel policy to privilege public and sustainable transport.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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We will continue to deploy our resources and use our influence to help accelerate the transition to a low-carbon future.

THE FUTURE – OUR PLANS FOR 2022-23

Trustees have set following organisational objectives for 2022-23:

1. Implement our rebalanced strategy to reduce grant expenditure and commit more strategic resources to actively use our capital base.
2. Recruit and induct new board member(s) and staff members.
3. Make equity and inclusion central to our work.
4. Build additional capital allocation for impact investment or near market investment.
5. Focus our communications on developing leadership within the foundation sector.
6. Scope, procure and implement new systems to support foundation functions.
7. Design and implement a staff development plan to increase knowledge and productivity.

OUR POLICIES, GOVERNANCE AND OPERATIONS

MANAGEMENT AND ADVICE

- During the year, Columbia Threadneedle [formerly Bank of Montreal (BMO)] continued to act as one of our investment managers, with discretion to manage the Foundation's funds within agreed investment objectives, regarding asset allocation and investment performance.
- Cazenove Capital, the largest charity investment manager in the UK, also managed funds on our behalf.
- Snowball Impact Management Limited also managed funds on our behalf.
- To support Foundation staff and trustees in their commitment to the responsible use of its assets and as a means of sharing our practice, the Foundation continued as a member of the Charities Responsible Investment Network.
- Peter Jones, an independent investment advisor, continued to provide general investment advice to the trustees, who instruct the investment managers to reflect that advice in their management of the Foundation's assets. Trustees are grateful for his continued support of our work.
- Wrigley's Solicitors LLP was retained to provide legal advice on direct investment documentation and on our general charitable activities.

CLIMATE RISK AND OUR INVESTMENTS

- Trustees are mindful of a wide range of experts who consider that climate risk is arguably the biggest risk to economies today.

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- Trustees understand that climate-related systemic risk could have a highly negative impact not only on the Foundation's assets but also on its core mission and stakeholders through disruption of the financial system, with implications for jobs, incomes and inequality.
- Trustees seek, therefore, to do whatever they reasonably can to progress a rapid transition to a low-carbon economy and to safeguard the Foundation's capital.

USING OUR RESOURCES

- Trustees took the decision that the Foundation can spend its capital as well as its income in pursuit of our mission, but at a reduced rate.
- Trustees actively review both strategy and resources to manage the risk of this approach.
- The current rate of spend is £2.6 million per annum.

Trustees are prepared to consider accepting a higher level of risk or a lower level of financial return than the market norm, especially for those social investments that are closely aligned with the Foundation's specific programme aims. For investments that generate broader positive social impact and meet the Foundation's general charitable objectives, but without specific alignment with programme aims, trustees might look for levels of risk and return that are closer to the benchmark for that asset class.

RISK MANAGEMENT

The trustees are responsible for overseeing the effective management of the Foundation and for safeguarding its assets. Risk management is an ongoing activity involving all trustees and is reviewed by trustees at least annually.

During the year, the trustees have reviewed the risks facing the Foundation covering governance and management issues, financial, regulatory, legal and operational risks. Mitigating actions have been taken regarding the major risks that have been identified, namely:

- Investment risk with loss of income impacting operations and mission: Trustees tolerate this risk whilst closely monitoring the markets and the Foundation's investment portfolios.
- Staff sickness or absence risk arising from having a small team: Plans are in place to mitigate this risk.
- Mission risk – having an ambitious mission with limited resources: Trustees tolerate this risk.
- Reputational risk, such as poor publicity arising from the actions of organisations we fund or inaccurate information on our website: Trustees mitigate and manage this risk.

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- Financial risk relating to internal operations and the management of resources: Trustees mitigate and manage this risk with staff and external advisors.

Each risk identified was assessed in terms of the potential impact and likelihood of occurrence, and the trustees confirm that they believe that, for each of these risks, appropriate controls are in place to mitigate the significant risks to an acceptable degree.

RESERVES AND GOING CONCERN

The total charity funds at the year-end of £23.88 million (2021: £29.93 million) were held in the endowment fund. The capital comprising the Foundation's expendable endowment is the principal source of income to meet the Foundation's objectives and running costs. The trustees consider that there are no material uncertainties about the Foundation's ability to continue as a going concern.

In 2016, trustees took the strategic decision to expend capital from the endowment in pursuit of our mission. In order to ensure there are adequate funds to support a potentially higher level of expenditure, the Foundation adopted a policy to 'draw down' a sum from the endowment each year to match the difference between our projected income and our projected expenditure as set by trustees in the annual business planning process.

In 2021 trustees decided to slow down the reduction of the capital base. This was to enable a rebalance of internal resources to allow greater focus on investment engagement and impact.

Trustees also recognise that Foundation income from investments can fall. To mitigate this risk, it is the trustees' intention to hold three to six months' operating costs as a cash reserve; estimated at £750,000 to £1,500,000. This is held as part of Foundation funds and will not be expended, although trustees do not consider it necessary to have a separate reserves account.

The reserves policy was reviewed and approved by the trustees in September 2022. Trustees will continue to review the level of reserves, taking into consideration the cost base of the Foundation.

FINANCIAL REVIEW

The Foundation's income is derived from investment performance. Total income for the year ended 30 September 2022 was £689,814 (2021: £534,602), mainly attributable to dividends and interest received from the principal investments – open-ended investment trusts with underlying investments in equities and corporate bonds. This year, a donation and grant funding for the Foundation Rating Project, being coordinated by the Foundation, added to the income. The total expenditure for the year was £2,950,988 (2021: £3,462,439). Of this, grant commitments amounted to £1,790,313 (2021:

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£2,588,219) and other expenditure was £1,160,675 (2021: £874,220). Net expenditure for the year was £2,261,174 (2020: £2,927,837) before investment losses of £3,789,640 (2021: gains of £4,049,93), leading to net expenditure of £6,050,814 (2021: net income of £1,122,093).

As per our investment policy, trustees expect our mainstream portfolio to produce competitive market returns, as well as reflecting our investment beliefs. Regular reviews of performance by the Investment Committee and advice from our Investment Advisor indicate that performance is in line with market expectations.

REMUNERATION OF STAFF

Trustees have adopted and reviewed the pay policy that is applied to all staff members.

Trustees adjusted the measures against which salaries are reviewed annually to ensure a reasonable reflection of the cost of living. This now reflects a cost-of-living measure weighted equally with average wages.

Reflecting our programme focus on pay transparency and in line with NCVO guidance, the ratio between the highest salary (£89,915) and the median salary (£32,130) in the Foundation is 2.8:1. The ratio of the top salary to the lowest is 3.5:1. These calculations are based on full-time equivalent salaries, net of salary sacrifice deductions.

The charity made contributions to employees' personal pension plans based on a fixed percentage of salary. In September 2014, trustees established a company pension scheme in which contributions are made to NEST.

STATEMENT OF FUNDRAISING PRACTICE

The Foundation does not engage in public fundraising and does not use professional fundraisers or commercial participators. The Foundation, nevertheless, observes the relevant fundraising regulations and codes. During the year there were no instances of non-compliance with these regulations and codes and the Foundation received no complaints relating to its fundraising practice.

GOVERNANCE ARRANGEMENTS – HOW WE ORGANISE OUR WORK

A Board of Trustees, of up to ten individuals who must hold at least two meetings each year, administers and controls the Foundation and has control of its property and funds. Trustees are subject to fixed-term appointments as set out in the Memorandum and Articles of Association updated in January 2022. During the year, trustees have formally met four times.

The trustees have complied with the duty in Section 17 of The Charities Act 2011 to have due regard to the Charity Commission's published guidance concerning the operation of the Public Benefit requirement under that Act.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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THE ROLE OF TRUSTEES

An individual induction programme is in place and implemented for new trustees, covering all relevant aspects of the role and the Foundation. We hold regular training and engagement sessions before Trustee meetings with guest speakers to share learning and engage staff and trustees.

The role of the trustees includes setting strategic direction and agreeing the financial plan, approving grant-making applications and monitoring the Foundation's grant activities, ensuring that all activities are within its agreed charitable objectives and pursued for the public benefit. Matters reserved for the trustees are approved by the trustees and are subject to annual review.

Trustees act on advice and information from regular meetings with the Director and their appointed advisers and from the Foundation's Resources Committee and Investment Committee under terms of reference approved by the Board of Trustees.

RECRUITMENT OF TRUSTEES

Trustees are recruited through open advertisement. They are interviewed by a panel of existing trustees against a set of advertised criteria and with due regard to the Foundation's commitment to equality of opportunity and fair treatment. We monitor the response to all vacancies in terms of gender, ethnicity and disability.

STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES

The trustees (who are also directors of Friends Provident Charitable Foundation for the purposes of company law) are responsible for preparing the report of the trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and,
- each trustee has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

The report of the trustees has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

Approved by the trustees on 14 March 2023 and signed on their behalf by

Stephen Muers, Chair of the Board of Trustees

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

Opinion

We have audited the financial statements of Friends Provident Charitable Foundation (the 'charitable company') for the year ended 30 September 2022 which comprise the statement of financial activities, the balance sheet, statement of cash flows and the notes to the financial statements including a summary of the principal 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 charitable company's affairs as at 30 September 2022 and of 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.

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 company 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 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.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

Other information

The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report and financial statements. 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 course of 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 the audit:

- ◆ the information given in the trustees' report, which is also the directors' report 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 trustees' report, which is also the directors' report for the purposes of company law, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report. We have nothing to report in respect of the following matters in relation to which 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; 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; or
- ◆ the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies'

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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the charitable company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Companies Act 2006.
- We understood how the charitable company is complying with these legal and regulatory frameworks by making enquiries to management and those responsible for legal and compliance procedures. Through our enquiries we corroborated these views by our review of Board minutes.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

- We assessed the susceptibility of the charitable company's accounts to material misstatement, including how fraud might occur. Audit procedures performed by the audit team included:
 - Enquiries with the trustees and management, whether they have any knowledge of any actual, suspected or alleged fraud; or non compliance with relevant laws and regulations.
 - Identifying and testing journal entries.
 - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures.
 - Investigating material variances from expectations.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

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.

Gumayel Miah ACA (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 14 April 2023

Friends Provident Charitable Foundation

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 30 September 2022

	Note	Unrestricted £	Restricted £	2022 Total £	Unrestricted £	Restricted £	2021 Total £
Income from:							
Donations	2	135,313	–	135,313	216	–	216
Charitable activities	3	–	150,000	150,000	–	140,000	140,000
Investments	4	404,501	–	404,501	394,386	–	394,386
Total income		539,814	150,000	689,814	394,602	140,000	534,602
Expenditure on:							
Raising funds		21,664	–	21,664	12,598	–	12,598
Charitable activities							
Support for Resilient Economies		2,745,066	–	2,745,066	3,396,864	–	3,396,864
Foundation Practice Rating Project		–	184,258	184,258	–	52,977	52,977
Total expenditure	5	2,766,730	184,258	2,950,988	3,409,462	52,977	3,462,439
Net (expenditure)/income before net gains on investments		(2,226,916)	(34,258)	(2,261,174)	(3,014,860)	87,023	(2,927,837)
Net (losses)/gains on investments	13	(3,789,640)	–	(3,789,640)	4,049,930	–	4,049,930
Net (expenditure)/income		(6,016,556)	(34,258)	(6,050,814)	1,035,070	87,023	1,122,093
Transfers between funds		(30,000)	30,000	–	–	–	–
Net movement in funds		(6,046,556)	(4,258)	(6,050,814)	1,035,070	87,023	1,122,093
Reconciliation of funds:							
Total funds brought forward		29,844,115	87,023	29,931,138	28,809,045	–	28,809,045
Total funds carried forward		23,797,559	82,765	23,880,324	29,844,115	87,023	29,931,138

All expenditure was made from unrestricted funds, apart from that relating to the Foundation Practice Rating Project which was made from restricted funds. The Foundation Practice Rating Project commenced in the previous year.

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 19 to the financial statements.

Friends Provident Charitable Foundation

Balance sheet

Company no. 04228843

As at 30 September 2022

	Note	£	2022 £	£	2021 £
Fixed assets:					
Tangible assets	12		3,550		4,136
Listed Investments	13		25,111,648		31,651,357
Social Investments	14		329,000		544,960
			<u>25,444,198</u>		<u>32,200,453</u>
Current assets:					
Debtors	15	406,294		376,519	
Cash at bank and in hand		974,134		1,208,840	
		<u>1,380,428</u>		<u>1,585,359</u>	
Liabilities:					
Creditors: amounts falling due within one year	16	(2,023,065)		(3,040,923)	
Net current liabilities			<u>(642,637)</u>		<u>(1,455,564)</u>
Total assets less current liabilities			<u>24,801,561</u>		<u>30,744,889</u>
Creditors: amounts falling due after one year	17		<u>(921,237)</u>		<u>(813,751)</u>
Total net assets			<u><u>23,880,324</u></u>		<u><u>29,931,138</u></u>
The funds of the charity:	19a				
Restricted income funds			82,765		87,023
Unrestricted income funds:					
Designated funds		30,000		-	
General funds		23,767,559		29,844,115	
		<u>23,797,559</u>		<u>29,844,115</u>	
Tot All			<u><u>23,880,324</u></u>		<u><u>29,931,138</u></u>
Total charity funds			<u><u>23,880,324</u></u>		<u><u>29,931,138</u></u>

Approved by the Board of Trustees on 14 March 2023 and signed on their behalf by:

Stephen Muers
Chair of Trustees

Statement of cash flows

For the year ended 30 September 2022

	Note	2022 £	£	2021 £	£
Cash flows from operating activities					
Net (expenditure)/income for the reporting period (as per the statement of financial activities)		(6,050,814)		1,122,093	
Depreciation charges		1,947		1,560	
Dividends, interest and rent from investments		(404,501)		(394,386)	
Losses/(gains) on investments		3,789,640		(4,049,930)	
Impairment losses		399,960		300,000	
Increase in debtors		(29,775)		(262,815)	
Decrease in creditors		(910,372)		(281,985)	
Net cash used in operating activities		(3,203,915)		(3,565,463)	
Cash flows from investing activities:					
Dividends, interest and rents from investments		404,501		394,386	
Purchase of fixed assets		(1,361)		(2,028)	
Proceeds from sale of investments		2,617,704		12,928,063	
Purchase of investments		(289,009)		(10,110,031)	
Transfer in to investment funds		(12,845)		(1,958)	
Funds released for reinvestment		250,000		200,000	
Net cash provided by investing activities		2,968,990		3,408,432	
Change in cash and cash equivalents in the year		(234,925)		(157,031)	
Cash and cash equivalents at the beginning of the year		1,281,293		1,438,324	
Cash and cash equivalents at the end of the year a		1,046,368		1,281,293	

Analysis of cash and cash equivalents and of net debt

	At 1 October 2021 £	Cash flows £	Other non- cash changes £	At 30 September 2022 £
Cash held as part of investment portfolio	72,453	(219)	–	72,234
Cash at bank and in hand	1,208,840	(234,706)	–	974,134
a Total cash and cash equivalents	1,281,293	(234,925)	–	1,046,368

The charity held no borrowings at either 1 October 2021 or 30 September 2022.

1 Accounting policies

a) Statutory information

Friends Provident Charitable Foundation is a charitable company limited by guarantee and is incorporated in the United Kingdom.

The registered office address and principal place of business is Blake House, 18 Blake Street, York, YO1 8QG.

b) Basis of preparation

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) – (Charities SORP FRS 102), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting these financial statements are detailed within the relevant accounting policy below.

c) Public benefit entity

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

d) Going concern

The trustees consider that there are no material uncertainties which may cast significant doubt about the charity's ability to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of approval of these financial statements.

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. Trustees are aware that there are net current liabilities but this is principally down to timing and the fact that liabilities are recognised in full for the following 12 months but there is no corresponding income recognised. In addition, the Foundation has significant resources available in fixed asset investments which can be drawn down as required to fund working capital.

e) Income

Income 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 that the amount can be measured reliably.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. This is normally upon notification by our investment managers.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

1 Accounting policies (continued)

f) Fund accounting

Unrestricted funds are donations and other income received or generated by the charity which may be used freely in pursuit of the charity's objects at the discretion of the Trustees.

The investment assets derived from the donation of £20 million from Friends Provident plc in 2004. The assets are expendable at the discretion of the trustees.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

Restricted funds relate to income earned which may only be applied towards specific projects or causes in line with the terms by which the income was received.

g) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Expenditure on raising funds principally relates to the costs of managing the charity's investments.
- Expenditure on charitable activities includes the costs of grant making and associated activities undertaken to further the purposes of the charity and their associated support costs
- Other expenditure represents those items not falling into any other heading

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

h) Grants payable

Grants payable are made to third parties in furtherance of the charity's objects. Single or multi-year grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and that any condition attaching to the grant is outside of the control of the charity.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

i) Allocation of support costs

Expenditure is allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which are an estimate, based on staff time, of the amount attributable to each activity.

Where information about the aims, objectives and projects of the charity is provided to potential beneficiaries, the costs associated with this publicity are allocated to charitable expenditure.

Support and governance costs are allocated in full to charitable activities – Support for Resilient Economies projects.

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

1 Accounting policies (continued)

j) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

k) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

- Computer equipment 4 years

l) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities. The charity does not acquire put options, derivatives or other complex financial instruments.

m) Social Investments

Social investments are valued at their fair value, which would ordinarily equate to market value where this is available. Where fair value is not practicable, social investments are recognised at cost less impairment. An annual review is carried out, either by external independent consultants or by Foundation staff, to determine whether investments should be impaired. Any impairment losses are included within expenditure during the year.

n) 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.

o) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

p) Creditors and provisions

Creditors and provisions 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 and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

1 Accounting policies (continued)

q) 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 with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

r) Pensions

The Foundation operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Foundation in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the Foundation to the fund. The Foundation has no liability under the scheme other than for the payment of those contributions.

2 Income from donations

	2022 Total £	2021 Total £
Donations	135,313	216
	<u>135,313</u>	<u>216</u>

The Foundation received a large one-off donation from a private donor during the year which has been included within unrestricted funds. It was fully expended during the year.

3 Income from charitable activities

	2022 Total £	2021 Total £
Grant income for Foundation Practice Rating Project	150,000	140,000
	<u>150,000</u>	<u>140,000</u>

All income from charitable activities is restricted.

4 Income from investments

	2022 Total £	2021 Total £
Gross dividends	374,852	389,090
Income from social investments	29,073	5,216
Bank interest	576	80
	<u>404,501</u>	<u>394,386</u>

All income from investments is unrestricted.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2022

5a Analysis of expenditure (current year)

	Charitable activities		Foundation				
	Raising funds	Support for Resilient Economies projects	Practice Rating Project	Governance costs	Support costs	2022 Total	2021 Total
	£	£	£	£	£	£	£
Investment manager's fees	16,603	–	–	–	–	16,603	12,398
Investment advice & other costs	5,061	–	–	–	–	5,061	200
Grant commitments	–	1,790,313	–	–	–	1,790,313	2,588,219
Impairment losses	–	399,960	–	–	–	399,960	300,000
Staff costs (Note 8)	–	–	–	49,004	277,687	326,691	306,202
Staff training, expenses & other related costs	–	–	–	–	21,977	21,977	12,183
Grant advisory group, assessors & grantee support	–	–	–	–	6,825	6,825	5,065
Learning Strategy	–	–	–	–	500	500	–
Equity Group	–	–	–	–	800	800	–
Performance evaluation	–	–	–	–	–	–	14,280
Communication, dissemination & website costs	–	–	25,619	–	56,339	81,958	51,741
Overhead costs	–	–	–	–	66,218	66,218	60,632
Investment engagement fees	–	–	–	–	19,283	19,283	27,170
Legal & professional fees	–	–	158,639	–	31,886	190,525	68,100
Auditor's remuneration	–	–	–	10,348	–	10,348	9,500
Trustee meetings & expenses	–	–	–	13,926	–	13,926	6,749
	21,664	2,190,273	184,258	73,278	481,515	2,950,988	3,462,439
Support costs	–	481,515	–	–	(481,515)	–	–
Governance costs	–	73,278	–	(73,278)	–	–	–
Total expenditure 2022	21,664	2,745,066	184,258	–	–	2,950,988	
Total expenditure 2021	12,598	3,396,864	52,977	–	–		3,462,439

All expenditure was made from unrestricted funds, apart from that relating to the Foundation Practice Rating Project which was made from restricted funds. The Foundation Practice Rating Project commenced in the previous year.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2022

5b Analysis of expenditure (prior year)

	Charitable activities					2021 Total £
	Raising funds £	Support for Resilient Economies projects £	Practice Rating Project £	Governance costs £	Support costs £	
Investment manager's fees	12,398	–	–	–	–	12,398
Investment advice & other costs	200	–	–	–	–	200
Grant commitments	–	2,588,219	–	–	–	2,588,219
Impairment losses	–	300,000	–	–	–	300,000
Staff costs (Note 8)	–	–	–	45,930	260,272	306,202
Staff training, expenses & other related costs	–	–	–	–	12,183	12,183
Grant advisory group, assessors & grantee support	–	–	–	–	5,065	5,065
Performance evaluation	–	–	–	–	14,280	14,280
Communication, dissemination & website costs	–	–	12,977	–	38,764	51,741
Overhead costs	–	–	–	–	60,632	60,632
Investment engagement fees	–	–	–	–	27,170	27,170
Legal & professional fees	–	–	40,000	–	28,100	68,100
Auditor's remuneration	–	–	–	9,500	–	9,500
Trustee meetings & expenses	–	–	–	6,749	–	6,749
	12,598	2,888,219	52,977	62,179	446,466	3,462,439
Support costs	–	446,466	–	–	(446,466)	–
Governance costs	–	62,179	–	(62,179)	–	–
Total expenditure 2021	12,598	3,396,864	52,977	–	–	3,462,439

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2022

6 Grant making (current year)

	2022 £	2021 £
Grants payable at the start of the year	3,812,110	4,098,302
Grant commitments made in the year	1,673,130	2,455,296
Grants (written back) or adjusted	117,183	132,923
Net grants committed in the year	1,790,313	2,588,219
Grants paid	(2,696,671)	(2,874,411)
Grants payable at the end of the year	2,905,752	3,812,110
Creditors: amounts due within one year (note 16)	1,984,515	2,998,359
Creditors: amounts due in over one year (note 17)	921,237	813,751
Total creditors at the end of the year	2,905,752	3,812,110

Details of the grant commitments made in the year can be found in the Trustees' Annual Report.

7 Net (expenditure)/income for the year

This is stated after charging / (crediting):

	2022 £	2021 £
Depreciation	1,947	1,560
Operating lease rentals payable:		
Property	19,350	19,200
Auditor's remuneration (excluding VAT):		
Audit	7,800	7,400

8 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2022 £	2021 £
Salaries and wages	259,871	241,435
Social security costs	22,409	20,015
Employer's contribution to defined contribution pension schemes	43,375	42,008
Other forms of employee benefits	1,036	2,744
	326,691	306,202

8 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel (continued)

The following number of employees received employee benefits (excluding employer pension costs and employer's national insurance) during the year between:

	2022 No.	2021 No.
£60,000 – £69,999	–	1
£70,000 – £79,999	1	–

The total employee benefits (including employer's pension contributions and employer's national insurance) of the key management personnel were £257,625 (2021: £242,965).

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2021: £nil). No charity trustee received payment for professional or other services supplied to the charity (2021: £nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totalling £792 (2021: £181) incurred by 9 (2021: 9) members relating to attendance at meetings of the trustees.

9 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 8.3 (2021:8.0). The full time equivalent number of staff was 6.8 (2021: 6.8).

10 Related party transactions

Due to the nature of the Foundation's operations and the composition of the trustee board and staff and their charitable interests, it is possible that the Foundation will make a donation to a charity in which a trustee or staff member may have a governance interest. In recognition of this possibility, trustees have developed a policy of disclosure to ensure there is no conflict of interest and that such a donation is made at arm's length.

During this year a grant of £122,000 was made to Fairshare Educational Foundation (Share Action) to fund a project on ethnicity pay gap reporting. Paul Dickinson is a trustee of both organisations and became Chair of Share Action in November 2018. (The full amount was included in grant creditors at 30 September 2022.)

Ann Don Bosco is a trustee at Economy which was given funding of £10,000 this year to cover increases in the cost of living. This was added to the core funding of £190,000 approved last year. (£100,000 was included in grant creditors at 30 September 2022.)

The following related party transactions were identified from previous years where the grants have still been live during this year:

- Fairshare Educational Foundation (Share Action): A grant of £300,000 was made in December 2020 to provide core funding. Paul Dickinson is a trustee of both organisations and became Chair of Share Action in November 2018. (£100,000 was included in grant creditors at 30 September 2022.)
- For the Foundations Practice Ratings Project which started last year, Kathleen Kelly, is an employee on a collaboration between trusts/foundations which include Esmee Fairbairn Foundation, the Paul Hamlyn Foundation and the Lankelly Chase Foundation who are partners in the project. (Friends Provident Foundation awarded £45,000 to this project in January 2021, none of which was included in grant creditors at 30 September 2022.)
- University of Birmingham, Centre on Household Assets and Savings Management (CHASM): A grant of £50,000 was awarded in March 2018 for the project 'Monitoring Financial inclusion 2018–2022'. Joanna Elson has since become Chair of CHASM's Advisory Panel. (£17,250 was included in grant creditors at 30 September 2022.)

The individuals mentioned above did not take part in the funding/investment decisions involving their related party transaction.

As part of social investments, the Foundation has invested in Snowball which offers a portfolio of impact investments, with the aim of providing competitive returns and measurable impact across the interconnected themes of social equity and environmental sustainability. The Foundation holds shares in Snowball Impact Management Ltd and also has investments in the Snowball Impact Investments LP fund which were valued at £1,244,425 at 30 September 2022 (see note 13).

There are no donations from related parties (2021: None) which are outside the normal course of business and no restricted donations from related parties (2021: None).

11 Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

Notes to the financial statements

For the year ended 30 September 2022

12 Tangible fixed assets

	Computer equipment £	Total £
Cost		
At the start of the year	15,038	15,038
Additions in year	1,361	1,361
At the end of the year	16,399	16,399
Depreciation		
At the start of the year	10,902	10,902
Charge for the year	1,947	1,947
At the end of the year	12,849	12,849
Net book value		
At the end of the year	3,550	3,550
At the start of the year	4,136	4,136

All of the above assets are used for charitable purposes.

13 Listed investments

	2022 £	2021 £
Fair value at the start of the year	31,578,904	28,940,048
Additions at cost	5,009	10,015,031
Disposal proceeds	(2,517,704)	(12,928,063)
Transfer in during year	12,845	1,958
Reclassification of Snowball Impact Investments LP (see below)	–	1,700,000
Funds released for reinvestment	(250,000)	(200,000)
Net (loss)/gain on change in fair value	(3,789,640)	4,049,930
	25,039,414	31,578,904
Cash held by investment broker pending reinvestment	72,234	72,453
Fair value at the end of the year	25,111,648	31,651,357
	2022 £	2021 £
Historical costs of listed investments at the year end	20,167,662	20,392,091
Investments comprise:	2022 £	2021 £
UK Common investment funds	23,735,281	30,025,740
Shares listed on the London Stock Exchange	59,708	53,164
Other investments	1,244,425	1,500,000
Cash	72,234	72,453
	25,111,648	31,651,357

Further to a re-assessment of the nature and purpose of the Foundation's holding in Snowball Impact Investments LP, the holding was reclassified (in both 2022 and 2021) as a listed investment (rather than as a social investment, as previously reported). This has had no impact on the carrying value of the investment recorded as at 30 September 2021.

On 30 September 2022, £250,000 of funds were released from the investment in Snowball Impact Investments LP. These funds were held as a debtor at the year end (see note 15 below), before being reinvested into Snowball Impact Management Limited (SIML) on 6 October 2022. (An amount of £200,000 was released in the same way on 30 September 2021, being reinvested into SIML on 6 October 2021.)

Notes to the financial statements

For the year ended 30 September 2022

13. Listed investments (continued)

After the year end, on 19 October 2022, £1,692,871 was transferred from listed investments managed by Columbia Threadneedle (formerly BMO) to Snowball Impact Investments LP. This was following a commitment to increase the funds invested in Snowball Impact Investments LP up to a maximum of £5 million or 10% of the value of the fund, whichever is the lower, by 31 December 2024. This transaction will be reflected in the accounts for the year ahead, ending 30 September 2023.

Individual holdings of listed fixed asset investments, held at 30 September 2022, which represent a material proportion of the total value of the fixed asset investment portfolio were as follows:

	Valuation £	Proportion %
Cazenove Sustainable Growth Fund	10,052,108	40.0
BMO Responsible UK Equity Fund	4,740,501	18.9
BMO Responsible Global Equity Fund	4,545,127	18.1
BMO Responsible Sterling Corporate Bond Fund	4,397,544	17.5
Snowball Impact Investments LP	1,244,425	5.0

14 Social investments

	2022 £	2021 £
Balance at the start of the year	544,960	2,449,960
Additions at cost	284,000	95,000
Loan repayment	(100,000)	–
Reclassification of Snowball Impact Investments LP (see note 13)	–	(1,700,000)
Impairment charge	(399,960)	(300,000)
Balance at the end of the year	329,000	544,960

All social investments have been valued at historical cost, less impairment.

On 2 September 2022, £27,000 was invested in Wyre Catchment CIC, an environmental project based in Lancashire. This is the first tranche of a loan commitment of up to £90,000. Subsequent tranches can be drawn up to November 2024, with repayment of the loan due by November 2030.

A ten-year loan of £100,000 made to the Stichting Equileap Foundation, in July 2018, was repaid early, in November 2021.

Funds of £200,000 invested into Snowball Impact Management Limited (SIML) on 14 October 2021 were impaired, in accordance with our social investment policy. This policy would also lead to the £250,000 invested post year-end being impaired. It was always anticipated that SIML would need additional capital whilst the Snowball Impact Investments LP fund grew to scale and there are plans in place for further capitalisations.

Funds of £199,960 invested in Riding Sunbeams Apollo Limited have been impaired as at 30 September 2022. The company was established to provide community solar power to train operators. An initial project with Network Rail was terminated and new investors are being sought to resume project development.

Individual holdings of social investments, held at 30 September 2022, which represent a material proportion of the total value of the social investment portfolio were as follows:

	Valuation £	Proportion %
Egni Co-op	100,000	30.4
AWEL Co-op	95,000	28.9
Energy Gardens	50,000	15.2
People Powered Retrofit Ltd	40,000	12.2
Wyre Catchment CIC	27,000	8.2
Ethex Investment Club	17,000	5.1

Notes to the financial statements

For the year ended 30 September 2022

15 Debtors

	2022 £	2021 £
Grants receivable	15,000	70,000
Funds held for reinvestment (see notes 13 and 14 above)	250,000	200,000
Other debtors	2,008	1,654
Prepayments	12,972	13,582
Accrued income	126,314	91,283
	406,294	376,519

16 Creditors: amounts falling due within one year

	2022 £	2021 £
Grants payable (note 6)	1,984,515	2,998,359
Other creditors	-	7,067
Accruals	38,550	35,497
	2,023,065	3,040,923

17 Creditors: amounts falling due after one year

	2022 £	2021 £
Grants payable – within 1 to 5 years (note 6)	921,237	813,751
	921,237	813,751

18a Analysis of net assets between funds (current year)

	Restricted £	General unrestricted £	Designated £	Total funds £
Tangible fixed assets	-	3,550	-	3,550
Investments	-	25,440,648	-	25,440,648
Current assets	82,765	1,267,663	30,000	1,380,428
Current liabilities	-	(2,023,065)	-	(2,023,065)
Long term liabilities	-	(921,237)	-	(921,237)
Net assets at 30 September 2022	82,765	23,767,559	30,000	23,880,324

18b Analysis of net assets between funds (prior year)

	Restricted £	General unrestricted £	Designated £	Total funds £
Tangible fixed assets	-	4,136	-	4,136
Investments	-	32,196,317	-	32,196,317
Current assets	87,023	1,498,336	-	1,585,359
Current liabilities	-	(3,040,923)	-	(3,040,923)
Long term liabilities	-	(813,751)	-	(813,751)
Net assets at 30 September 2021	87,023	29,844,115	-	29,931,138

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2022

19a Movements in funds (current year)

	At 1 October 2021 £	Income & gains £	Expenditure & losses £	Transfers £	At 30 September 2022 £
Restricted funds:					
Restricted funds:					
Foundation Practice Rating Project	87,023	150,000	(184,258)	30,000	82,765
Total restricted funds	87,023	150,000	(184,258)	30,000	82,765
Unrestricted funds:					
Designated funds:					
Foundation Practice Rating Project – funds contributed by Friends Provident Foundation	–	–	–	30,000	30,000
Total designated funds	–	–	–	30,000	30,000
General funds	29,844,115	539,814	(6,556,370)	(60,000)	23,767,559
Total funds	29,931,138	689,814	(6,740,628)	–	23,880,324

Funds held during the current and prior year comprised of both restricted and unrestricted funds. The narrative to explain the purpose of the restricted and designated funds is given at the foot of the note below.

The transfer of £30,000 from the Foundation's unrestricted fund to the Practice Rating Project restricted fund represents the Foundation's contribution towards the project. A further £30,000 has been designated in recognition of the fact that a further £30,000 will be transferred by the Foundation to the project in the year ending 30 September 2023.

19b Movements in funds (prior year)

	At 30 September 2020 £	Income & gains £	Expenditure & losses £	Transfers £	At 30 September 2021 £
Restricted funds:					
Restricted funds:					
Foundation Practice Rating Project	–	140,000	(52,977)	–	87,023
Total restricted funds	–	140,000	(52,977)	–	87,023
Unrestricted funds:					
Designated funds:					
Foundation Practice Rating Project	45,000	–	–	(45,000)	–
Total designated funds	45,000	–	–	(45,000)	–
General funds	28,764,045	4,444,532	(3,409,462)	45,000	29,844,115
Total funds	28,809,045	4,584,532	(3,462,439)	–	29,931,138

Purpose of restricted funds

During the year, Friends Provident Foundation has coordinated the Foundation Practice Rating Project, working with nine other partner trusts/foundations. The aim of the project is to develop a new method of assessing the governance and reporting practices of private trusts and foundations in the UK, creating a public record of their achievements. Performance will be assessed in three areas: Transparency, Accountability and Diversity.

19 Movements in funds (continued)

Purpose of designated funds

The designated funds held at 30 September 2022 represent a further contribution towards the Foundation Practice Rating Project by Friends Provident Foundation which was approved by Trustees in September 2022. These funds have been agreed in principle and will only be utilised if needed, as new funders are being added to the project going forward and so their contributions may cover the project costs.

20 Operating lease commitments payable as a lessee

The charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods

	Property 2022 £	2021 £
Less than one year	21,000	17,600
One to five years	19,250	–
	40,250	17,600

21 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

England & Wales - Charity number 1087053

Accounts

Charity No: 1087053

Company No: 04228843

**FRIENDS PROVIDENT CHARITABLE FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)**

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

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FRIENDS PROVIDENT CHARITABLE FOUNDATION
REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

Charity Name: Friends Provident Charitable Foundation

Other names by which the charity is known: Friends Provident Foundation

Charity Number: 1087053 (England & Wales)

Company Number 04228843 (England & Wales)

REGISTERED ADDRESS

Blake House

18 Blake Street

York

YO1 8QG

BOARD OF TRUSTEES

Members:

Abraham Baldry

Ann Don Bosco

Paul Dickinson

Joanna Elson (Vice-chair)

Kathleen Kelly

Priya Lukka

Stephanie Maier

Stephen Muers (Chair from 1 January 2021)

Aphra Sklair

Hetan Shah (Retired 31 December 2020)

KEY MANAGEMENT PERSONNEL

Foundation Director: Danielle Walker Palmour

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

Investment Engagement Manager:	Colin Baines
Grants Manager	Abigail Gibson
Finance and Operations Manager	Kate Kendall
Communications Manager	Jake Furby (from 29 March 2021)

Reference and Administration Information

PRINCIPAL ADVISORS

Principal Bankers:	CAF BANK Limited PO Box 289 West Malling Kent ME19 4TA	Triodos Bank NV Deanery Road Bristol BS1 5AS
Auditor:	Buzzacott LLP 130 Wood Street London EC2V 6DL	
Investment Advisor:	Peter Jones Independent Advisor	
Solicitors:	Wrigley's Solicitors LLP 19 Cookridge Street Leeds LS2 3AG	
Investment Managers:	BMO Asset Management 55 Baker Street London W1U 7EU	Cazenove Capital 1 London Wall Place London EC2Y 5AU

CHAIR'S INTRODUCTION

This is my first Annual Report as Chair of the Foundation, since filling Hetan Shah's very large shoes in January 2021. When I agreed to take over as Chair, I had no idea that I would be taking over at a time when the Foundation and all its partners were still grappling with a global pandemic. Covid-19 has tested all of us: individually, as organisations and as part of a movement. However, it has also shone a bright harsh light on the failings and unfairness of the current economic system, so our mission is clearly as important and urgent as ever.

While our mission has remained the same, we have been adapting how we deliver it in several ways. Like most other organisations over the last two years, we have been shifting more of our efforts to engage with partners online. We reviewed our approach to digital communications and implemented some improvements and were involved in more online events. We had a first online annual conference, themed around the "Four Ds" we want to see as directions in the future economy – decarbonise, democratise, decentralise and diversify – with fascinating panels on all those themes.

We have also adapted to seize the opportunity created by an increasing number of investors wanting to act in line with their values and expect higher standards from both the investment management industry and the companies they ultimately invest in. Building on the success of last year's "ESG investing olympics" we were delighted to be able to support the coalition that led to a ground-breaking resolution at HSBC's Annual General Meeting committing the bank to a clear net zero pathway.

Another thing we have adapted and developed this year is our approach to learning. Part of the Friends Provident model is to fund new and often risky initiatives, which may take some time to come to fruition. Such an approach only works in the long term if we learn from what we have tried, build on that and share the learning with others. We are pleased to be putting in place a new approach to make improved learning a reality.

Like many other funders we have been reflecting on how we may need to change the way we work if we are serious about genuine racial and gender equity and addressing the deep-seated problems caused by past injustices. We are only at the beginning of understanding what we should do here. Staff and trustees alike have found the process of reflecting on this issue both powerful and sometimes humbling. One new grant we have made in this broad area is to Decolonising Economics, who are a collective working to build a solidarity economy movement that is rooted in racial justice principles, working alongside a community of other organisations.

While continuing to support many organisations who have received grants from us in the past, through both core and project funding, we have welcomed other new grantees. One example is Wessex Community Assets, who are aiming to develop a model for locally rooted manufacturing and the construction of affordable housing, linked to regenerative land use.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

Finally, in talking about how the Foundation has changed and adapted I should mention changes in the staff team. Nicola Putnam left the Foundation after a successful stint as our Communications Manager and we welcomed Jake Furby as her replacement, and our office manager Caroline Watson has been on maternity leave. The whole team, staff and trustees, are looking forward to 2021-22 hoping that there will be no more lockdowns and other distractions from working with our partners to start to change the economic system for the better.

Stephen Muers
October 2021

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

OUR PURPOSE

Friends Provident Foundation is an independent charity that makes grants and uses its endowment towards a fair and sustainable economic system that serves people and planet. We connect, fund, support and invest in new thinking to shape a future economy that works for all.

Since 2004, we've pioneered the creation of a fair economy for a better world. Already, we've helped improve access to financial services for people who were once excluded and supported the development of resilient economic communities across the UK.

We're a catalyst for wider change, making an impact through continuous experimentation and shared learning. We do all we can to embody the change we want to see. We invest in great social enterprises and use our money in line with our values.

Tomorrow, we'll continue to fund more new thinking, connect new ideas, invest our capital in line with our aims and values and create better systems so that, in the future, the economy will serve both people and planet.

For more information go to our [website](#).

OUR GOALS IN 2020-21

Due to reduced capacity during the Covid-19 pandemic, this year we changed the way we set and managed our goals. We decided to pose some questions to explore, rather than setting indicators, milestones and timescales. Our questions and reflections were:

- **Can we deepen our outward focus and collaboration to connect more effectively with others in the field to achieve our mission?**

Reflections: We achieved the following:

- We hosted several webinars and online conferences this year, developing new skills and confidence within the team.
- We reviewed our communications and social media strategies to deepen engagement by key audiences.
- We created and distributed an animation on economics education.
- We established social media profiles on Facebook and LinkedIn.

- **How can we support individual staff resilience and productivity to achieve personal and organisational objectives?**

Reflections: We reviewed and overhauled our HR support with a view to obtaining both expertise and wellbeing support, with new services obtained. Our team expanded and we inducted two new staff members. Overall – despite change and the pandemic – our metrics we use to monitor staff morale remained high.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

- **Can we develop effective team-working approaches across a range of contexts?**

Reflections: The staff team considered key office functions and operational minimum standards required for the Foundation. Weekly online team meetings were a lifeline throughout the year and enabled the staff team to build on strong working relations. A staff and trustee Away Day was held in person in London which enabled social time as well as intensive working on strategic issues. A return to the office for all staff has yet to be established.

- **How can we support resilience in our stakeholder organisations, including reflecting on the role of our funds, though grants, investments and contracts?**

Reflections: The grants team enabled the continuation of good communication with organisations. A specific event, Core Connect, in May 2021, engaged core funded organisations in some key strategic issues facing the Foundation and the sector. A grant newsletter was sent out in June 2021.

- **How can we strengthen the integration of investment in our strategy and wider ways of working?**

Reflections: A state of the sector report was completed and launched in January 2021. This year has seen the growth of the profile of our investment engagement and the increase of the profile of staff and the Foundation in this field in the media and the sector. The investment dimension has been included in a refreshed Theory of Change and the development of our diversity and equity work. The Away Day discussions pointed to a larger role for investment in how we expect to have impact in the future.

- **Can we develop metrics and monitoring methods to track progress towards a fair economy?**

Reflections: This objective became subsumed in the effort to develop and revise our Theory of Change. The first draft of the Theory of Change was considered by trustees in September 2021.

- **Can we develop new approaches to our operations and work in all areas, alongside our on-going climate emergency commitment, and are these congruent with diversity and equity?**

Reflections: Trustees and staff created an Equity and Social Justice Working Group in June 2021. The working group will take actions and be forward thinking. Trustees reaffirmed their commitment to this work at their Away Day.

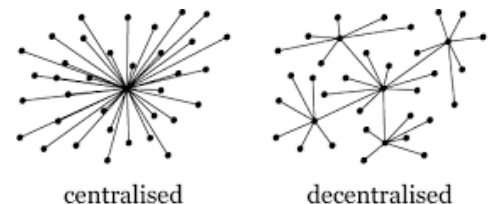
INTRODUCING THE 4D ECONOMY

Our work is based on the 4D economy. We found thinking about the dimensions of a more sustainable and equitable economy in these terms a helpful framing for the work we did and supported this year.

- **Decarbonised** – We must decarbonise the economy to tackle climate change, keep global heating below 1.5 degrees Celsius and ensure a planet that is habitable for future generations. The transition must be fair and equitable.



- **Decentralised** – A fair and sustainable economy is a decentralised economy – one where people can create and retain value locally and focus on well-being for their community.



- **Democratised** - A democratised economy is one where communities and workers have power, ownership and control of the assets and businesses that sit at the heart of their economies.



- **Diversified** - We cannot create a better economy without addressing the social and economic injustices within our society. A fair economy needs to dismantle the structural inequalities and systems of oppression and privilege that underpin our economic systems and institutions and build economic systems and institutions founded on principles of equity, solidarity and social justice



These D's are interwoven and cannot stand in isolation. We believe that together they can help us to fulfil our vision of a 'fair economy, better world'.

Throughout this annual report we have highlighted how our activities have contributed to a 4D economy. Examples include:

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

Decarbonised	Decentralised	Democratised	Diversified
<i>Investment engagement</i> - We offered advice to energy provider Eon that fed into its just transition policy, covering 'consumers and communities' and 'people strategy and future of work'.	<i>Grants – Systems Change</i> Funding for Community Energy England to increase community energy's contribution to a fairer economy.	<i>Grants – Local economies</i> We funded Community Action Groups Oxfordshire, a consortium of stakeholders with a vision to rebuild a more inclusive, democratic and localised economy in Oxford.	<i>Operations</i> - Trustees and staff established an Equity and Social Justice Working Group to address how we work, think and invest to act on structural inequalities.

ACHIEVING THE 4D ECONOMY THROUGH OUR GRANT-GIVING 2020/21

Applications

The Foundation has a two-stage application process

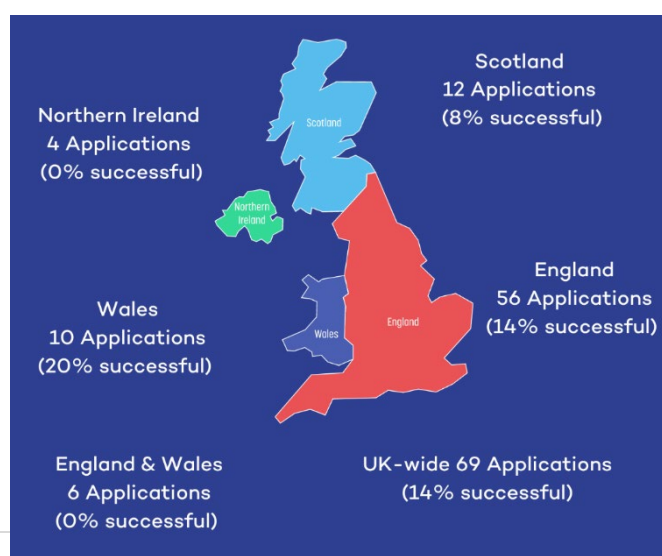
1. Stage 1: A two-page concept note
2. Stage 2: A full application with full details

STAGE ONE APPLICATIONS

	2021	2020
Number of Applications	157	225
Value (£)	£ 14.5 million	£28.0 million
Average Success Rate	9%	10%

Table 1 - A comparison of 2021 to 2020 covering stage 1 outlines, their value and the average success rate

The geographic distribution for stage one applications is illustrated in Figure 1.



FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

STAGE TWO APPLICATIONS

	2021	2020
Number of outlines	38	37
Number granted	25	27
Value (£)	£ 2.5 million	£2.3 million

Table 2 – A comparison of 2021 to 2020 covering stage 2 outlines, their value and the average success rate.

The geographic distribution for stage two applications is illustrated in Figure 2.

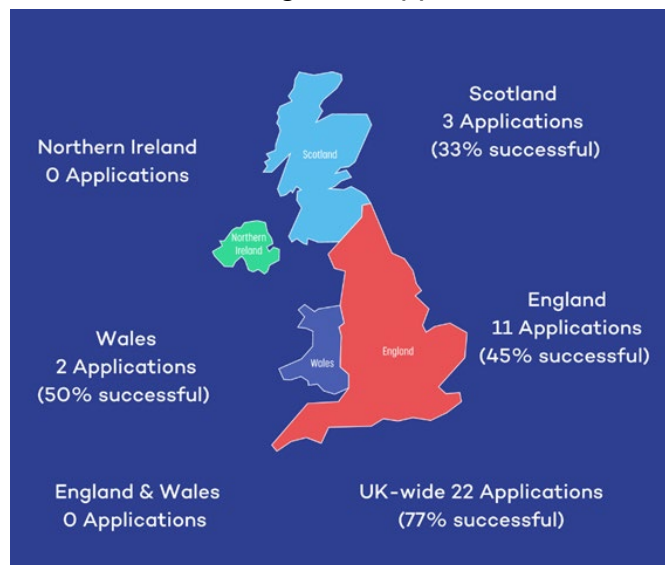


Figure 2

UNRESTRICTED FUNDING

	2021	2020
New Unrestricted	2	0
Applied before	5	6
Total	7	6

Table 3 – A comparison of 2021 and 2020 unrestricted grants awarded.

The core-funding we offer to organisations can be vital in helping them to develop from small organisations, often dependent on a single funder, to become stronger organisations. This year our capacity to connect and bring together our grant holders, investees and partners has once again been somewhat hampered by Covid-19. We did however convene a series of events over the course of the year, key amongst which was Core Connect, a meeting of our core funded organisations. It is designed to enable us to share and test key aspects of our strategy, learn from the collective wisdom of participants and create a network of those active in moving to a fair economy.

Overall, we are managing 67 live grants worth £8.5 million.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

GRANTS

New Grants 2020/21				
Grantholder	Title of project	Amount awarded	Summary	Which 4Ds
350.org	Green new deal rising – a youth leadership programme	£50,000	Supporting the Green New Deal Rising Youth Leadership Programme for people passionate about and with some experience in social change and living in areas hit hard by the pandemic and by climate/economic inequality.	Decarbonised, Democratised Diversified
Arkbound Foundation	COP26: Systems change not climate collapse	£3,500	Contribution to presenting various alternative economic models, authored by people from around the world, as part of a landmark publication timed for the COP26 summit.	Decarbonised Diversified
Centre for London	London's local authorities, assets and their partners: generating positive change for communities	£55,797	Investigating how the assets and spending power of local authorities and their partners can be used to improve economic and social outcomes for their residents in London and other big cities and how residents can shape this process.	Decentralised Democratised
Community Action Groups Oxfordshire	Owned by Oxford	£174,406	A consortium of stakeholders with a vision to rebuild a more inclusive, democratic and localised economy in Oxford which serves the health and wellbeing of people and the environment.	Decentralised Democratised
Community Energy Association (England) Ltd	Transitioning to a fairer, decentralised, decarbonised and democratic energy system	£101,200	The project's aim is to increase community energy's contribution to the transition to a fairer, decentralised, decarbonised and democratic low-carbon economy.	Decarbonised Decentralised Democratised

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

New Grants 2020/21				
Grantholder	Title of project	Amount awarded	Summary	Which 4Ds
Decolonising Economics (hosted by Finance Innovation Lab)	Decolonising Economics	£15,000	Funding focused on support for Decolonising Economics in becoming an established organisation and in pursuit of its work.	Diversified
Ecumenical Council for Corporate Responsibility	Core funding	£85,000	Core funding	Decarbonised Democratised
Economy	Core funding	£190,000	Core funding	Decarbonised Decentralised Democratised Diversified
Fairshare Educational Foundation (ShareAction)	Core funding	£300,000	Core funding	Decarbonised Decentralised Democratised Diversified
Finance Innovation Lab	Core funding	£200,000	Core funding	Decarbonised Decentralised Democratised Diversified
Forum for the Future	Power paired	£2,500	Taking the Power Paired community asset bank matching resource to other parts of the UK	Decentralised
Institute of Welsh Affairs	Re-energising Wales	£9,000	Follow up to a previous project to look at different ways to influence policy on the green agenda in Wales	Decarbonised
Jubilee Scotland	Ending Public-Private partnerships in Scotland	£35,000	Developing a new public financing model and a broad coalition of stakeholders to support a cross-party working group at the Scottish Parliament.	Decentralised Democratised

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

New Grants 2020/21				
Grantholder	Title of project	Amount awarded	Summary	Which 4Ds
Medact	Campaigning for an economy which centres on health and wellbeing	£148,200	Supporting health workers to challenge narratives that public health and economic wealth are in tension, campaigning for an economy that centres health and wellbeing.	Outside the 4D economy theme
New Economy Organisers Network	NEON movement building	£200,000	Powering the next generation of civil society movements and organisations for a fairer, sustainable economy through a rigorous programme of leadership development, strategic coaching and mass trainings for civil society organisations.	Decarbonised Decentralised Democratised Diversified
Power for People Ltd	The community energy revolution: the campaign for a Local Electricity Bill	£30,000	A national campaign to establish a Right to Local Supply by seeing the Local Electricity Bill made law. Empowering communities to sell renewable energy that they generate.	Decentralised Democratised
Power to Change	Community Power Group	£5,000	Supporting the work of a civil society consortium of organisations to promote 'community power' (local control and influence).	Decentralised
Rethinking Economics	Core funding	£200,000	Core funding	Decarbonised Decentralised Democratised Diversified
Stir to Action	Core funding	£120,000	Core funding	Decarbonised Decentralised Democratised Diversified

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

New Grants 2020/21				
Grantholder	Title of project	Amount awarded	Summary	Which 4Ds
Tax Justice UK	Core funding	£100,000	Core funding	Decarbonised Decentralised Democratised Diversified
The Financial Inclusion Centre	The devil is in the policy detail	£16,000	A small follow-on project to further develop some of the policy recommendations emerging from FIC's Time for Action report.	Democratised
Turning the social sector, the right way up	Turning the social sector, the right way up	£16,986	A small exploratory project on how social change initiatives can be built from and within communities and be rooted in accountability to those communities, creating some practical alternative models.	Diversified
Wessex Community Assets Ltd	Raise the roof	£100,000	Achieving a fair transition to an ecological and equitable local economy and developing a model that can be adopted widely – based on the creation of key community-led assets and networks.	Decarbonised Decentralised Democratised
Women's Budget Group	Feminist Green New Deal	£252,707	To develop and build support for a Feminist Green New Deal in the UK, engaging and including key stakeholders from the environmental, women's social and racial justice sectors.	Decarbonised Diversified
Friends Provident Foundation (working with other funders)	Foundation Practice Rating	£45,000	Foundation Practice Rating (FPR) is a new method of assessing the governance and reporting practices of private trusts and foundations in the UK, creating a public record of their achievements. The project funds are being managed by Friends Provident Foundation, working alongside, and with contributions from, nine other foundations/trusts.	Diversified

Table 4 – A table illustrating new grantholders

USING OUR RESOURCES – Change through investment

HOW WE USE OUR ENDOWMENT

Taking an integrated approach to our mission and capital base, we use our endowment as a tool for change, through social investments and asset manager and shareholder engagement. We focus our efforts on strategic themes to underpin and focus our proactive work, drawn from what we have learned from, or key developments in, our programme areas. Current focus is 4D transition in the energy market, including support for just transition and community energy.

SHAREHOLDER ENGAGEMENT WITH ENERGY UTILITIES FOR A JUST TRANSITION

The Foundation has partnered with Royal London Asset Management and Shareholders for Change to engage energy utility companies on the 4D trends transforming the power sector. This programme uses recommendations from the grant funded London School of Economics Grantham Research Institute ‘Financing a Just Transition’ programme.

Throughout 2020/21, constructive meetings were held with SSE, Centrica, Scottish Power, EDF, Eon, RWE and National Grid. Most of the companies were already working to decarbonise but had not established formal plans. We proposed that the companies develop formal just transition strategies and in November 2020, SSE published the world’s first formal just transition strategy. The resulting strategy was comprehensive, covering the key stakeholder groups we identified: workers, communities, consumers and supply chains.

SSE’s strategy establishes ‘20 Principles for a Just Transition’, including to:

- ‘prioritise retraining and redeployment’ for fossil fuel workers,
- ‘guarantee fair and decent work’ for new green jobs,
- ‘boost inclusion and diversity’,
- ‘share value with communities’ including looking at shared ownership for new renewables, and
- ‘advocate for fairness’ for consumers.

In March 2021, Eon introduced a just transition section to its decarbonisation strategy, covering ‘consumers and communities’ and ‘people strategy and future of work’. Centrica, Scottish Power and EDF UK have agreed to publish formal just transition strategies ahead of COP26 in November 2021.

DIRECT SHAREHOLDINGS

In addition to investing in energy utility companies via our pooled fund investments, the Foundation buys direct shareholdings in companies we wish to influence as part of our thematic priorities. Current direct shareholdings include Centrica, Iberdrola, RWE, SSE, EDF, Drax Group and HSBC.

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DIRECT IMPACT INVESTING

Almost 10 years ago, trustees agreed that up to 10 per cent of the investible funds could be invested into instruments to which the Foundation's general charitable objectives and specific programme aims could be applied. The primary aim of social investments is to pursue the Foundation's broad charitable and focused programmatic objectives using financial instruments other than grants. The secondary aim of social investments is to produce a financial return.

Our current portfolio of impact investments includes:

- **Snowball Impact Investments** - a ground-breaking new 100% impact investment fund. In 2020, they restructured to create Snowball Impact Management and Fund (GP/LP structure) to allow new investors. Snowball applies a social and environmental impact lens to all its investment analysis, reporting and decision-making. In 2021, Snowball was recognised as a 'Best for the World' BCorp. The Foundation currently has £1.5 million invested in the Snowball Impact Investment Fund.
- **Riding Sunbeams Apollo Ltd** - a joint venture between Community Energy South, Possible, Thrive Renewables and the Foundation. It seeks to decarbonise the transport system by developing community-owned renewable energy assets and using the electricity generated to power trains and other forms of transport. The company is the first to embed facilitating a just transition into its legal purpose. The Foundation invested £199,960 in 2020 for equity.
- **Egni Solar Co-op** which is in the process of installing up to 5MW of rooftop solar on over 200 sites across Wales. Smaller sites such as primary schools and community centres will receive the energy for free as part of the Co-op's community benefit. It is the largest ever roll-out of solar PV in Wales. The Foundation invested £100,000 in a community share offer.
- **Awel Wind Co-op** - a 4.7MW two wind turbine project that is wholly owned, controlled by and benefits the local community. The community, 20 miles north of Swansea, is an area of high social deprivation. Over the project's lifetime, it is expected that £3 million will be given to Awl Aman Tawe Charity to alleviate local fuel poverty. The Foundation invested £95,000 in a community share offer.
- **Energy Garden Ltd** - a community benefit society hoping to raise funds to develop and acquire solar PV arrays. The income generated will be used to transform 50 London Overground platforms and stations into community gardens and food growing plots and to support volunteers and youth training. Its intention is to support resilient communities, improve air quality and wellbeing and raise awareness of community energy. The Foundation has invested £50,000 in a future community share offer expected in 2021/22.
- **Stichting Equileap Foundation** - aims to accelerate progress towards gender equality in the workplace as a powerful lever in tackling inequality and poverty.

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To do this they use knowledge through providing detailed data on companies' gender equality performance to inform gender-lens investment decisions. Net profits from this work go towards the creation of a sustainable fund to tackle the root causes of gendered economic inequality. The Foundation invested £100,000 in 2018, as a ten-year loan; Equileap restructured this year and repaid the loan in November 2021.

- **Ethex** - a non-profit ethical investment club, which has both ethical investors and ethical businesses as members. Through collaboration and the pooling of resources, it aims to promote and encourage businesses that have both social and commercial goals. It wants to make financial services more affordable and more available to ethical businesses and to ethical investors. The Foundation invested £50,000 in 2013, structured as a loan. We agreed an interest payment holiday this year to ease cash flow to facilitate operational expansion.

THE FOUNDATION'S MAINSTREAM INVESTMENTS

The bulk of the Foundation's endowment is managed by two fund managers in line with our cash flow requirements, the cost of fund management and their decision to invest ethically and for mission. This comprises:

- A range of funds managed by the BMO Asset Management Limited:
 - o Responsible Global Equity Fund (Inc) (Share Class 4),
 - o Responsible Sterling Bond Fund (Inc) (Share Class 2), and,
 - o Responsible UK Equity Fund (Inc) (Share Class 4).
- Cazenove Capital:
 - o Sustainable Growth Fund.

The Foundation maintains a facility to deposit cash it does not immediately require for operational purposes with Triodos Bank NV, thereby seeking to ensure the ethical management of the Foundation's cash as well as its investments.

The Foundation also maintains a Fund and Share Account with Hargreaves Lansdown to purchase direct shareholdings in companies we wish to influence.

NEW INVESTMENT MANAGER

In 2020, the Foundation launched an investment manager tender to increase the endowment's impact and contribution to our mission, worth £10 million. We joined Joffe Trust and Blagrove Trust to hold the 'ESG investing olympics', a first of its kind, open, competitive tender for a total investment mandate of £33.5 million. We hosted an event at the Royal Institution in London to an audience of trustees, mission-led asset owners (charities, churches, universities, and pension funds) and grant recipients with an interest in sustainable finance. The trustees selected Cazenove Capital as the winner.

Launched in January 2021, we became a cornerstone investor in Cazenove Capital's 'Sustainable Growth Fund'. We announced a shared vision for the fund that includes

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continually pushing the boundaries of sustainable investing, radical transparency and a new collaborative approach with active client participation.

In February, we published our 'ESG investing olympics: state of the sector 2020' report which is based on assessments of the 59 tender proposals received from investment managers with combined assets under management of £15 trillion. The report highlights emerging best practice and areas where standards are falling short of minimum expectations and gives recommendations for minimum standards.

Following engagement with Cazenove Capital regarding underlying fund manager compliance with the recommended standards, it came back with new policy and disclosure announcements from Schroders. In June 2021, Cazenove Capital held its first Investor Forum for clients in the new Sustainable Growth Fund. The Forums will be held every six months and form part of the commitment to 'radical transparency' and 'active client participation'. We will also report annually against key indicators.

TOP 20 COMPANY INVESTMENTS IN OUR BMO ASSET MANAGEMENT FUNDS AT SEPTEMBER 2021:

Apple	AstraZeneca	Unilever	Ashtead Group	Thermo Fisher Scientific
Linde	Mastercard	Experian	Accenture	GlaxoSmithKline
Ferguson	Taiwan Semiconductor Manufacturing Company	Intermediate Capital Group	Illumina	Computacenter
Roper Technologies	Schneider Technologies	Watches of Switzerland Group	Rentokil	Mettler Toldeo International

TOP 10 UNDERLYING FUNDS IN CAZENOVE CAPITAL FUND AT SEPTEMBER 2021:

Schroder Sustainable Growth Strategy	Ninety-One Environmental Fund	Vontobel EM Sustainable Leaders Fund	M&G Positive Impact Fund	Pictet-Nutrition
Gold ETF	US Lyxor TIP's	Impax Environmental Fund	INPP	Montanaro Better World Fund

Trustees have developed our thinking about our priorities in terms of investment, as well as our policy relating to climate change; the full outline of our investment beliefs and policies are available on our website.

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We continue to work with other trusts and foundations: Charities Responsible Investment Network, Church Investors Group, Shareholders for Change, UK Sustainable Investment and Finance Association, Good Work Coalition and Workforce Disclosure Initiative.

CONVENING AND COMMUNICATING THE 4D ECONOMY

Communications are central to our purpose of achieving a fair economy and a better world.

Our first communications manager Nicola Putnam left the Foundation this year and the team was joined by Jake Furby in March 2021. Jake is enthusiastic about equity and diversity within communications and has brought this element to our work.

STRATEGY – CREATING ACCESSIBLE AND DIVERSIFIED COMMUNICATIONS

We have updated our communication and social media strategies, with the focus being on:

- Accessible, humanising and harmonising communications across multiple social media platforms.
- Setting up a 'Core Connect Communication Group'.
- Developing SMART goals for communications campaigns.
- Encouraging the use of our hashtag #FPROVFOUNDATION in social media communications.
- Developing individual plans for Facebook, LinkedIn and Instagram.
- Developing a crisis communications management plan.

EVENTS AND PROJECTS

- **Economist Video and Economist Education Week.** The aim of this was to coordinate two of our grantees (CORE and Rethinking Economics) in developing a resource that reflected both organisations' missions. Although these two organisations adopt different approaches, we support their aims to change the way in which economics is taught. We developed an animation which was released this year and is available on our website.
- **Core Connect Group.** We also brought together our core-funded grantees. Core-funded grantees are organisations that have received unrestricted funding. The Core Connect Group provides an opportunity for networking and discussion, to share learning and to raise any issues. A Core Connect Communications Group has also been established.
- **York Festival of Ideas:** We were pleased to support the University of York's Festival of Ideas again this year. The programme had over 100 contributors. The events were free to attend and investigated a range of perspectives on economics.

THEORY OF CHANGE UPDATE

This year the Foundation worked with New Philanthropy Capital to update and refresh our Theory of Change, which was first created in 2018 looking back at our previous programme. We felt it was a good time to begin the process of developing a theory that looks forward within this programme of work, with a view to:

- Considering the changed context, particularly large structural and global changes;
- Providing structure for our emerging learning strategy; and,
- Targeting our efforts towards the most impactful activities.

We engaged with key stakeholders and our trustees to formulate the Theory, a draft of which was first presented to trustees in September. This work is ongoing as we continue to consider how to reflect certain elements of our work which have grown in prominence over the course of the year, these include:

- Our investment engagement activities outside of the grants programme;
- Our journey to examine how best to reflect our commitment to equity and diversity; and,
- Revisions to the grants programme happening throughout 2022.

We expect to finalise our theory in the winter of 2022 and will create a series of measures to accompany it that will enable us to track progress against our own ambitions for a new economy.

EQUITY AND SOCIAL JUSTICE

This year we have focused on specific equity and social justice projects. We recognise that this is an ongoing long-term piece of work and, so far, we have:

- Established our Equity and Social Justice Working Group which aims to integrate equity and social justice within our activities. We have learnt so far that we need to be considerate, raise awareness amongst staff and trustees and unlearn processes that are potentially harmful. We are developing a training programme, a strategy and projects to further this work.
- We are developing our communications so they are accessible for people who are visually disabled. It is a legal requirement under the Equality Act 2010, to make reasonable adjustments when it comes to our services. We need to ensure that we are not discriminating against people with protected characteristics.
- This year we launched the Foundation Practice Rating, a new governance tool to improve practice on accountability, transparency and diversity in charitable and community foundations. The project is funded by us and 9 other organisations. We were assessed and from the report it is clear we need to be more accessible

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and diverse when it comes to our grant making and how we present data on our website.

WHAT WE LEARNED THIS YEAR

Over 20 grant funded projects finished their work this year, new projects began and we progressed on our investment engagement activities. We have also begun to invest in learning from our work in a more structured and purposeful way. Some key things we learned this year in relation to the 4D economy were:

DECARBONISE

- For community renewable energy to scale up it needs fair treatment by government and regulators.
- Many local authorities have not begun their journey to decarbonise and are struggling to make any progress due to a lack of government support, funding and guidance.
- The pandemic has increased focus on economic recovery including 'green recovery' and resilience.
- Increasing numbers of companies and investors are adopting targets to reach net zero emissions by 2050 but very few have adopted meaningful transition plans.
- Whilst a minority of companies provide sustainability-related information, the comparability of companies' sustainability reporting is not sufficient to understand their impacts, risks, or even their plans.
- Many finance companies have issued top-line positions that sound supportive of sustainable finance regulations; but few have backed this up with consistent positive policy engagement.
- Business associations representing financial sectors remain skeptical of a meaningful regulatory approach, pushing against ambitious outcomes and instead opting for a 'light-touch', restricted, voluntary and non-prescriptive approach.
- Industry groups representing the fossil fuel value chain have become increasingly engaged in the sustainable policy process. These groups appear to be lobbying to undermine sustainable finance policy to ensure the ongoing financing of polluting business practices.
- Direct legal challenges may be required to ensure that disclosures around climate risk are resulting in actions to reduce climate impacts in practice and to avoid the significant and emerging risks of 'greenwashing'.
- Socially Responsible Investment (SRI) and Environmental, Social, Governance (ESG) integration has become more mainstream but true SRI/ESG still makes up a small fraction of investments.
- SRI/ESG investment is constrained by a culture of short-termism and shareholder value.

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DECENTRALISE

- Many projects that self-define as UK-wide, focus almost completely on Westminster/English policy matters.
- Despite the favourable economics, technology and public support for decentralized renewable energy, the energy system and its regulations favour large centralised generation.
- There is an uneven geographical coverage of community energy in under-served regions. This has proven to be a long-term challenge.
- For low-income communities, particularly where most people rent, the current model of how energy is supplied to households means that it is difficult to develop community-owned renewable energy generation.
- There is a potential role for Community Energy. It could manage energy demand at the neighbourhood level.
- Using behavioural approaches can be effective when implementing Community Energy projects, this helps communities engage with energy. However, there is an argument for automating demand response where possible and appropriate.
- Ensuring flexible markets in the energy system are simple can engage and retain small consumer buy-in that retain levels of consumer control.

DEMOCRATISE

- In seeking to engage with communities' action to address the economy, we need to fully understand the challenges of engagement fatigue where communities have previously been asked to engage and outcomes were set by others. This should be explicitly explored in early engagement(s).
- Learning and community action is more likely to occur when participants engage voluntarily in activities because they meet their needs and interests. The social purpose of activities can be as important as the practical learning.
- Successful campaigning and movements benefit from peer networks and other trusted intermediaries and well-respected political champions.
- Whilst many companies recognise that former passive consumers are becoming active participants in markets, often as part of their communities, there is resistance to democratisation involving sharing ownership and control.
- Our work on Ownership, Power and Control illustrated the lack of communication between different social business models. One of the disadvantages of this is that organisations cannot learn from other models. There is also a social pressure for there to be one dominant type of social business resulting in other innovative models being ignored and discouraged.

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DIVERSIFY

- The concept of a caring economy has gained traction across a broad spectrum of organisations and individuals, focusing on environmental considerations and care for the environment, as well as for people in need of care.
- This year, our conference was themed on the 4D Economy. One of the key learning points was increasing our knowledge about the global south and, in particular, how the west is still exploiting the global south's resources to fund the west's climate change goals. We are reflecting on this and how it could affect our work.
- The Equity and Social Justice Group activities have helped us to reflect on our current practices. We are just at the beginning of this process but have learned that we must be considerate, come from a place of learning and increase our knowledge in this area.
- The Foundation Practice Rating has been a thought-provoking project to initiate in the charitable and community foundation sector. After being assessed, we have learnt that we need to be more diverse in our communications, be more transparent about our equity and diversity work and ensure that we have a diversity plan which has targets.

CLIMATE EMERGENCY DECLARATION – ANNUAL STATEMENT

In September 2019, we published a Climate Emergency Declaration stating our view that “the prevention of runaway climate change is an eco-socio-economic challenge and prerequisite to achieving our objective of a sustainable and fair economy” and that we believe “it is the responsibility of every institution, business, investor and employer to transition their purpose and operations to be consistent with keeping global heating below 1.5°C.”

We made commitments covering investments, grants and operations, which are available on our website, including to report annually on progress as part of our annual report. In 2020/21:

- We used our influence as a shareholder to “promote a just and net-zero carbon transition”. This included co-filing a shareholder resolution at HSBC in January 2021, along with 14 other institutional investors. The resolution was coordinated by ShareAction and called for a net-zero transition plan and timetable to divest fossil fuels, in line with the climate science. We withdrew it in March following negotiation with HSBC on the wording of its management resolution, which commits HSBC to alignment with the Paris climate agreement, including short and medium-term science-based targets and to divestment from coal.

At the HSBC AGM in May, the resolution passed with 99.7% of the shareholder vote. Regular meetings are being held with HSBC as it develops its coal policy and wider climate strategy. Further action could be taken in 2022 if they are inadequate.

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Throughout 2020/21, we have also been using our shareholder influence to engage energy utility companies to adopt formal just transition strategies to accompany net zero plans, securing the world's first strategy from SSE plc (see investment report above).

- We have used our influence with asset managers and the market to “ensure active and high standards of shareholder engagement on climate change”. These standards featured heavily in our ‘ESG investing olympics’ tender for a new asset manager, and subsequent ‘state of the sector’ report and market recommendations (see investment report above).

We have engaged one of our asset managers to act on climate misinformation by one its largest holdings, Alphabet, the parent company of YouTube and Google. Our manager requested YouTube de-prioritise content featuring climate denialism in a similar way to extremist content and stop it from being monetised. A policy was announced and implementation is being monitored.

- We have particularly favoured investments in “companies whose business model focus is on net-zero carbon transition”. Our social investments have a focus on community energy and include Riding Sunbeams, Awel Wind Co-op, and Egni Solar Co-op. Our mainstream investments include a new manager with investments in renewable energy, green bonds and energy transition (see investment report above).
- We committed a strand of our grant work to ‘fair transition’, to address the risk of ‘stranded people’ and ‘stranded communities’ in terms of skills and economic utility, including as a result of the rapid and far-reaching changes needed to decarbonise the economy. We view a fair transition as a necessity for a rapid and resilient net-zero transition.

In 2020/21, we gave a grant of £101,200 to Community Energy England to support ‘transitioning to a fairer, decentralised, decarbonised and democratic energy system’ and £30,000 to Power for People for its Local Energy Bill campaign. We also gave a grant of £252,707 to the Womens’ Budget Group for its ‘Feminist Green New Deal’ programme and £50,000 to 350.org for its ‘Green New Deal Rising’ programme for youth leadership (see table of grant holders above).

- We have used our influence to support public policy engagement. In 2021, we match-funded a Climate Coalition campaigner to advocate for community energy in the run up to COP26. We also helped mobilise some of the 75 signatories to an open letter in support of the Environmental Audit Committee’s recommendations on community energy.

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- Whilst the pandemic has disrupted the delivery of some operational commitments, we have:
 - reduced our catering carbon footprint by switching to meat-free catering;
 - signed up to the 'Climate Perks' commitment from climate charity Possible to offer staff paid 'journey days' to encourage low-carbon holiday travel;
 - engaged our property manager and supported them to introduce building-wide recycling and basic energy efficiency measures; and,
 - reviewed our travel policy to privilege public and sustainable transport.

We will build upon the progress made in 2020/21 and continue to deploy our resources and use our influence to help accelerate the transition.

THE FUTURE – OUR PLANS FOR 2021-22

Trustees and staff met together for a strategic workshop in September 2021 to consider a proposed revised Theory of Change and the approach to the expenditure of capital adopted by the Foundation in 2016. As a result of this strategic review, the following directions were considered which will feed into the development of our organisational objectives for 2021-22:

1. Reducing the current rate of spend over the course of this financial year.
2. Investment in learning from our activity through the Learning Strategy.
3. Grants programme redesign to rebalance our strategy between investment and grants activity, maintaining a focus on diversity, equity and inclusion and maximising impact.
4. Consideration of different models to increase investment engagement/impact investment capacity.
5. Additional capital allocation to impact investment or near market investment.
6. Developing communications further as a strategic tool in terms of:
 - a. Capacity building the sector in key areas such as equity and inclusion;
 - b. Collaborative working; and,
 - c. Investment Engagement.
7. Revision of the new Theory of Change to reflect the impactful activities and emphasis on investment goals.
8. Diversity and a fair economy will continue as an important strand of our work, with further resources to support the Equity and Social Justice working group.

OUR POLICIES, GOVERNANCE AND OPERATIONS

This year we focused on reviewing and creating new policies and procedures which inform our work. The following policies and procedures have been updated:

- **Capability Policy and Procedure**
- **Disciplinary Policy and Procedure**
- **Financial Procedures**

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- **Pay Policy**
- **Travel Expenses**
- **The Gifts and Hospitality Policy**
- **Safeguarding Policy**

MANAGEMENT AND ADVICE

- During the year, the Bank of Montreal (BMO) continued to act as one of our investment managers, with discretion to manage the Foundation's funds within agreed investment objectives, regarding asset allocation and investment performance.
- We added a new investment manager, Cazenove Capital, the largest charity investment manager in the UK.
- To support Foundation staff and trustees in their commitment to the responsible use of its assets and as a means of sharing our practice, the Foundation is a member of the Charities Responsible Investment Network.
- Peter Jones, an independent investment advisor, continued to provide general investment advice to the trustees, who instruct the investment managers to reflect that advice in their management of the Foundation's assets. Trustees are grateful for his continued support of our work.
- Wrigley's Solicitors LLP was retained to provide legal advice on direct investment documentation and on our general charitable activities.

CLIMATE RISK AND OUR INVESTMENTS

- Trustees are mindful of a wide range of experts who consider that climate risk is arguably the biggest risk to economies today.
- Trustees understand that climate-related systemic risk could have a highly negative impact not only on the Foundation's assets but also on its core mission and stakeholders through disruption of the financial system, with implications for jobs, incomes and inequality.
- Trustees seek, therefore, to do whatever they reasonably can to progress a rapid transition to a low-carbon economy and to safeguard the Foundation's capital.

USING OUR RESOURCES

- Trustees took the decision that the Foundation can spend its capital as well as its income in pursuit of our mission.
- Trustees actively review both strategy and resources to manage the risk of this approach.
- At the 2020 Away Day trustees expressed concern about the amount of capital being spent. The current rate of spend will be reduced to £2 million per annum.

Trustees are prepared to consider accepting a higher level of risk or a lower level of financial return than the market norm, especially for those social investments that are closely aligned with the Foundation's specific programme aims. For investments that generate broader positive social impact and meet the Foundation's general

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charitable objectives, but without specific alignment with programme aims, trustees might look for levels of risk and return that are closer to the benchmark for that asset class.

RISK MANAGEMENT

The trustees are responsible for overseeing the effective management of the Foundation and for safeguarding its assets. Risk management is an ongoing activity involving all trustees and is reviewed by trustees at least annually. During the year, the trustees have reviewed the risks facing the Foundation covering governance and management issues, financial, regulatory, legal and operational risks. Mitigating actions have been taken regarding the major risks that have been identified, namely:

- Investment risk with loss of income impacting operations and mission: Trustees tolerate this risk whilst closely monitoring the markets and the Foundation's investment portfolios.
- Staff sickness or absence risk: arising from having a small team: Plans are in place to mitigate this risk.
- Mission risk: having an ambitious mission with limited resources: Trustees tolerate this risk.
- Reputational risk: Poor publicity arising from the actions of organisations we fund or inaccurate information on our website – trustees mitigate and manage this risk.
- Financial risk: relating to internal operations and the management of resources: Trustees mitigate and manage this risk with staff and external advisors.

Each risk identified was assessed in terms of the potential impact and likelihood of occurrence and the trustees confirm that they believe that, for each of these risks, appropriate controls are in place to mitigate the significant risks to an acceptable degree.

RESERVES AND GOING CONCERN

The total charity funds at the year-end of £29.93 million (2020: £28.81 million) were held in the endowment fund. The capital comprising the Foundation's expendable endowment is the principal source of income to meet the Foundation's objectives and running costs. The trustees consider that there are no material uncertainties about the Foundation's ability to continue as a going concern.

In April 2016, trustees took the strategic decision to expend capital from the endowment in pursuit of our mission. In order to ensure there are adequate funds to support a potentially higher level of expenditure, the Foundation adopted a policy to 'draw down' a sum from the endowment each year to match the difference between our projected income and our projected expenditure as set by trustees in the annual business planning process.

Trustees also recognise that Foundation income from investments can fall. To mitigate this risk, it is the trustees' intention to hold three to six months' operating costs as a

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cash reserve; estimated at £750,000 to £1,500,000. This is held as part of Foundation funds and will not be expended although trustees do not consider it necessary to have a separate reserves account.

The reserves policy was reviewed and approved by the trustees in September 2021. Trustees will continue to review the level of reserves, taking into consideration the cost base of the Foundation.

FINANCIAL REVIEW

The Foundation's income is derived from investment performance. Total income for the year ended 30 September 2021 was £534,602 (2020: £574,700), mainly attributable to dividends and interest received from the principal investments – open-ended investment trusts with underlying investments in equities and corporate bonds. The level of income continued to be impacted by the Covid-19 pandemic and its effect on the global economy. In addition, during the year, investments of £10 million were transferred to a new fund to better align their impact with the aims of the Foundation. The growth of the new fund is based on total returns which, in the short term, has led to reduced income. The total expenditure for the year was £3,462,439 (2020: £2,874,989). Of this, grant commitments amounted to £2,588,219 (2020: £2,327,488) and other expenditure was £874,220 (2019: £547,501). Net expenditure for the year was £2,927,837 (2020: £2,300,289) before investment gains of £4,049,930 (2020: £144,345), leading to net income of £1,122,093 (2020: Net expenditure of £2,155,944).

As per our investment policy, trustees expect our mainstream portfolio to produce competitive market returns, as well as reflecting our investment beliefs. Regular reviews of performance by the Investment Committee and advice from our Investment Advisor indicate that performance is in line with market expectations.

REMUNERATION OF STAFF

Trustees have adopted and reviewed the pay policy that is applied to all staff members.

Trustees adjusted the measures against which salaries are reviewed annually to ensure a reasonable reflection of the cost of living. This is now one which reflects a cost-of-living measure weighted equally with average wages.

Reflecting our programme focus on pay transparency and in line with NCVO guidance, the ratio between the highest salary (£87,255) and the median salary (£35,278) in the Foundation is 2.5:1. The ratio of the top salary to the lowest is 3.4:1. These calculations are based on Full Time Equivalent salaries, net of salary sacrifice deductions.

The charity made contributions to employees' personal pension plan based on a fixed percentage of salary. In September 2014, trustees established a company pension scheme in which contributions are made to NEST.

STATEMENT OF FUNDRAISING PRACTICE

The Foundation does not engage in public fundraising and does not use professional fundraisers or commercial participators. The Foundation, nevertheless, observes the

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relevant fundraising regulations and codes. During the year there were no instances of non-compliance with these regulations and codes and the Foundation received no complaints relating to its fundraising practice.

GOVERNANCE ARRANGEMENTS – HOW WE ORGANISE OUR WORK

A Board of Trustees, of up to ten individuals who must hold at least two meetings each year, administers and controls the Foundation and has control of its property and funds. Trustees are subject to fixed-term appointments as set out in the Memorandum and Articles of Association dated 1 June 2001. During the year, trustees have formally met four times.

The trustees have complied with the duty in Section 17 of The Charities Act 2011 to have due regard to the Charity Commission's published guidance concerning the operation of the Public Benefit requirement under that Act.

THE ROLE OF TRUSTEES

An individual induction programme is in place and implemented for new trustees, covering all relevant aspects of the role and the Foundation. Training opportunities relating to grant-making are also made available to trustees through the Association of Charitable Foundations Trustee network.

The role of the trustees includes setting strategic direction and agreeing the financial plan, approving grant-making applications and monitoring the Foundation's grant activities, ensuring that all activities are within its agreed charitable objectives and pursued for the public benefit. Matters reserved for the trustees are approved by the trustees and are subject to annual review.

Trustees act on advice and information from regular meetings with the Director and their appointed advisers and from the Foundation's Resources Committee and Investment Committee under terms of reference approved by the Board of Trustees.

RECRUITMENT OF TRUSTEES

Trustees are recruited through advertisement in national and local press, through professional networks and the community of organisations we support. They are interviewed by a panel of existing trustees against a set of advertised criteria and with due regard to the Foundation's commitment to equality of opportunity and fair treatment. We monitor the response to all vacancies in terms of gender, ethnicity and disability. Appointed by the serving trustees, the recruitment and appointment of new trustees is fully discussed at meetings of the full Board of Trustees.

STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES

The trustees (who are also directors of Friends Provident Charitable Foundation for the purposes of company law) are responsible for preparing the report of the trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021

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

- select suitable accounting policies and then apply them consistently.
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and,
- each trustee has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The trustees have no beneficial interest in the charity.

The report of the trustees has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

Approved by the trustees on 8 March 2022 and signed on their behalf by

Stephen Muers, Chair of the Board of Trustees

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

Opinion

We have audited the financial statements of Friends Provident Charitable Foundation (the 'charitable company') for the year ended 30 September 2021 which comprise the statement of financial activities, the balance sheet, statement of cash flows and the notes to the financial statements including a summary of the principal 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 charitable company's affairs as at 30 September 2021 and of 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.

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 company 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 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.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

Other information

The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report and financial statements. 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 course of 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 the audit:

- ◆ the information given in the trustees' report, which is also the directors' report 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 trustees' report, which is also the directors' report for the purposes of company law, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report. We have nothing to report in respect of the following matters in relation to which 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; 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; or
- ◆ the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies'

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT
CHARITABLE FOUNDATION

exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the charitable company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Companies Act 2006.
- We understood how the charitable company is complying with these legal and regulatory frameworks by making enquiries to management and those responsible for legal and compliance procedures. Through our enquiries we corroborated these views by our review of Board minutes.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FRIENDS PROVIDENT CHARITABLE FOUNDATION

- We assessed the susceptibility of the charitable company's accounts to material misstatement, including how fraud might occur. Audit procedures performed by the audit team included:
 - Enquiries with the trustees and management, whether they have any knowledge of any actual, suspected or alleged fraud; or non compliance with relevant laws and regulations.
 - Identifying and testing journal entries.
 - Assessing the extent of compliance with the relevant laws and regulations, including those in Israel as part of our procedures.
 - Investigating material variances from expectations.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

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.

Gumayel Miah ACA (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Friends Provident Charitable Foundation

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 30 September 2021

	Note	Unrestricted £	Restricted £	2021 Total £	2020 Total £
Income from:					
Donations		216	–	216	–
Charitable activities	2	–	140,000	140,000	–
Investments	3	394,386	–	394,386	574,700
Total income		394,602	140,000	534,602	574,700
Expenditure on:					
Raising funds		12,598	–	12,598	15,155
Charitable activities					
Support for Resilient Economies		3,396,864	–	3,396,864	2,859,834
Foundation Practice Rating Project		–	52,977	52,977	–
Total expenditure	4	3,409,462	52,977	3,462,439	2,874,989
Net (expenditure)/income before net gains on investments		(3,014,860)	87,023	(2,927,837)	(2,300,289)
Net gains on investments	12	4,049,930	–	4,049,930	144,345
Net income/(expenditure)		1,035,070	87,023	1,122,093	(2,155,944)
Reconciliation of funds:					
Total funds brought forward		28,809,045	–	28,809,045	30,964,989
Total funds carried forward		29,844,115	87,023	29,931,138	28,809,045

All income and expenditure, and year end reserves, were in respect of unrestricted funds in the year ending 30 September 2020.

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 18 to the financial statements.

Friends Provident Charitable Foundation

Balance sheet

Company no. 04228843

As at 30 September 2021

	Note	£	2021 £	£	2020 £
Fixed assets:					
Tangible assets	11		4,136		3,668
Listed Investments	12		30,151,357		29,001,907
Social Investments	13		2,044,960		2,449,960
			<u>32,200,453</u>		<u>31,455,535</u>
Current assets:					
Debtors	14	376,519		113,704	
Cash at bank and in hand		<u>1,208,840</u>		<u>1,376,465</u>	
			1,585,359		1,490,169
Liabilities:					
Creditors: amounts falling due within one year	15	<u>(3,040,923)</u>		<u>(2,920,045)</u>	
Net current liabilities			<u>(1,455,564)</u>		<u>(1,429,876)</u>
Total assets less current liabilities			30,744,889		30,025,659
Creditors: amounts falling due after one year	16		<u>(813,751)</u>		<u>(1,216,614)</u>
Total net assets			<u>29,931,138</u>		<u>28,809,045</u>
The funds of the charity:	18a				
Restricted income funds			87,023		-
Unrestricted income funds:					
Designated funds		-		45,000	
General funds		<u>29,844,115</u>		<u>28,764,045</u>	
Total unrestricted funds			<u>29,844,115</u>		<u>28,809,045</u>
Total charity funds			<u>29,931,138</u>		<u>28,809,045</u>

Approved by the Board of Trustees on 8 March 2022 and signed on their behalf by:

Stephen Muers
Chair of Trustees

Friends Provident Charitable Foundation

Statement of cash flows

For the year ended 30 September 2021

	Note	2021 £	£	2020 £	£
Cash flows from operating activities					
Net income/(expenditure) for the reporting period (as per the statement of financial activities)		1,122,093		(2,155,944)	
Depreciation charges		1,560		2,976	
Loss on disposal of fixed assets		–		164	
Dividends, interest and rent from investments		(394,386)		(574,700)	
Gains on investments		(4,049,930)		(144,345)	
Impairment losses		300,000		–	
(Increase)/Decrease in debtors		(262,815)		36,559	
Increase/(Decrease) in creditors		(281,985)		(633,082)	
Net cash used in operating activities			(3,565,463)		(3,468,372)
Cash flows from investing activities:					
Dividends, interest and rents from investments		394,386		574,700	
Purchase of fixed assets		(2,028)		(2,911)	
Proceeds from sale of investments		12,928,063		3,659,630	
Purchase of investments		(10,110,031)		(214,924)	
Transfer in to investment funds		(1,958)		–	
Funds released for reinvestment		200,000		–	
Conversion of investment to grant funding		–		50,000	
Net cash provided by investing activities			3,408,432		4,066,495
Change in cash and cash equivalents in the year			(157,031)		598,123
Cash and cash equivalents at the beginning of the year			1,438,324		840,201
Cash and cash equivalents at the end of the year	a		1,281,293		1,438,324

Analysis of cash and cash equivalents and of net debt

	At 1 October 2020 £	Cash flows £	Other non- cash changes £	At 30 September 2021 £
Cash held as part of investment portfolio	61,859	10,594	–	72,453
Cash at bank and in hand	1,376,465	(167,625)	–	1,208,840
a Total cash and cash equivalents	1,438,324	(157,031)	–	1,281,293

The charity held no borrowings at either 1 October 2020 or 30 September 2021.

1 Accounting policies

a) Statutory information

Friends Provident Charitable Foundation is a charitable company limited by guarantee and is incorporated in the United Kingdom.

The registered office address and principal place of business is Blake House, 18 Blake Street, York, YO1 8QG.

b) Basis of preparation

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) – (Charities SORP FRS 102), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting these financial statements are detailed within the relevant accounting policy below.

c) Public benefit entity

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

d) Going concern

The trustees consider that there are no material uncertainties which may cast significant doubt about the charity's ability to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of approval of these financial statements.

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. Trustees are aware that there are net current liabilities but this is principally down to timing and the fact that liabilities are recognised in full for the following 12 months but there is no corresponding income recognised. In addition, the Foundation has significant resources available in fixed asset investments which can be drawn down as required to fund working capital.

e) Income

Income 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 that the amount can be measured reliably.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. This is normally upon notification by our investment managers.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

1 Accounting policies (continued)

f) Fund accounting

Unrestricted funds are donations and other income received or generated by the charity which may be used freely in pursuit of the charity's objects at the discretion of the Trustees.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

Restricted funds relate to income earned which may only be applied towards specific projects or causes in line with the terms by which the income was received.

Endowment funds represent the investment assets derived from the donation of £20 million from Friends Provident plc in 2004. The endowment is expendable at the discretion of the trustees.

g) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Expenditure on raising funds principally relates to the costs of managing the charity's investments.
- Expenditure on charitable activities includes the costs of grant making and associated activities undertaken to further the purposes of the charity and their associated support costs
- Other expenditure represents those items not falling into any other heading

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

h) Grants payable

Grants payable are made to third parties in furtherance of the charity's objects. Single or multi-year grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and that any condition attaching to the grant is outside of the control of the charity.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

i) Allocation of support costs

Expenditure is allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which are an estimate, based on staff time, of the amount attributable to each activity.

Where information about the aims, objectives and projects of the charity is provided to potential beneficiaries, the costs associated with this publicity are allocated to charitable expenditure.

Support and governance costs are allocated in full to charitable activities – Support for Resilient Economies projects.

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

Notes to the financial statements

For the year ended 30 September 2021

1 Accounting policies (continued)

j) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

k) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

- Computer equipment 4 years

l) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities. The charity does not acquire put options, derivatives or other complex financial instruments.

m) Social Investments

Social investments are valued at their fair value. Where fair value is not practicable, social investments are recognised at cost less impairment.

n) 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.

o) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

p) Creditors and provisions

Creditors and provisions 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 and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Notes to the financial statements

For the year ended 30 September 2021

1 Accounting policies (continued)

q) 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 with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

r) Pensions

The Foundation operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Foundation in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the Foundation to the fund. The Foundation has no liability under the scheme other than for the payment of those contributions.

2 Income from charitable activities

	2021 Total £	2020 Total £
Grant income for Foundation Practice Rating Project	140,000	–
	140,000	–

All income from charitable activities is restricted.

3 Income from investments

	2021 Total £	2020 Total £
Gross dividends	389,090	574,343
Income from social investments	5,216	–
Bank interest	80	357
	394,386	574,700

All income from investments is unrestricted.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2021

4a Analysis of expenditure (current year)

	Charitable activities		Foundation Practice Rating Project	Governance costs	Support costs	2021 Total	2020 Total
	Raising funds £	Support for Resilient Economies projects £	Rating Project £	£	£	£	£
Investment manager's fees	12,398	-	-	-	-	12,398	2,563
Investment advice & other costs	200	-	-	-	-	200	12,592
Grant commitments	-	2,588,219	-	-	-	2,588,219	2,327,488
Impairment losses	-	300,000	-	-	-	300,000	-
Staff costs (Note 7)	-	-	-	45,930	260,272	306,202	279,456
Staff training, expenses & other related costs	-	-	-	-	12,183	12,183	26,533
Grant advisory group, assessors & grantee support	-	-	-	-	5,065	5,065	5,650
Performance evaluation	-	-	-	-	14,280	14,280	1,000
Communication, dissemination & website costs	-	-	12,977	-	38,764	51,741	73,839
Overhead costs	-	-	-	-	60,632	60,632	61,451
Investment engagement fees	-	-	-	-	27,170	27,170	37,615
Legal & professional fees	-	-	40,000	-	28,100	68,100	28,879
Auditor's remuneration	-	-	-	9,500	-	9,500	9,056
Trustee meetings & expenses	-	-	-	6,749	-	6,749	8,867
	12,598	2,888,219	52,977	62,179	446,466	3,462,439	2,874,989
Support costs	-	446,466	-	-	(446,466)	-	-
Governance costs	-	62,179	-	(62,179)	-	-	-
Total expenditure 2021	12,598	3,396,864	52,977	-	-	3,462,439	
Total expenditure 2020	15,155	2,859,834	-	-	-		2,874,989

All expenditure was made from unrestricted funds, apart from that relating to the Foundation Practice Rating Project which was made from restricted funds. The Foundation Practice Rating Project commenced in the current year.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2021

4b Analysis of expenditure (prior year)

	<u>Charitable activities</u>				
	Raising funds £	Support for Resilient Economies projects £	Governance costs £	Support costs £	2020 Total £
Investment manager's fees	2,563	–	–	–	2,563
Investment advice & other costs	12,592	–	–	–	12,592
Grant commitments	–	2,327,488	–	–	2,327,488
Staff costs (Note 7)	–	–	41,918	237,538	279,456
Staff training, expenses & other related costs	–	–	–	26,533	26,533
Grant advisory group, assessors & grantee support	–	–	–	5,650	5,650
Performance evaluation	–	–	–	1,000	1,000
Communication, dissemination & website costs	–	–	–	73,839	73,839
Overhead costs	–	–	–	61,451	61,451
Investment engagement fees	–	–	–	37,615	37,615
Legal & professional fees	–	–	–	28,879	28,879
Auditor's remuneration	–	–	9,056	–	9,056
Trustee meetings & expenses	–	–	8,867	–	8,867
	<u>15,155</u>	<u>2,327,488</u>	<u>59,841</u>	<u>472,505</u>	<u>2,874,989</u>
Support costs	–	472,505	–	(472,505)	–
Governance costs	–	59,841	(59,841)	–	–
Total expenditure 2020	<u><u>15,155</u></u>	<u><u>2,859,834</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>2,874,989</u></u>

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2021

5 Grant making (current year)

	2021 £	2020 £
Grants payable at the start of the year	4,098,302	4,735,395
Grant commitments made in the year	2,455,296	2,293,839
Grants (written back) or adjusted	132,923	33,649
Net grants committed in the year	2,588,219	2,327,488
Grants paid	(2,874,411)	(3,064,581)
Grant payments converted to social investment	–	100,000
Grants payable at the end of the year	3,812,110	4,098,302
Creditors: amounts due within one year (note 15)	2,998,359	2,881,688
Creditors: amounts due in over one year (note 16)	813,751	1,216,614
Total creditors at the end of the year	3,812,110	4,098,302

Details of the grant commitments made in the year can be found in the Trustees' Annual Report.

6 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2021 £	2020 £
Depreciation	1,560	2,976
Operating lease rentals payable:		
Property	19,200	19,200
Auditor's remuneration (excluding VAT):		
Audit	7,400	7,500

7 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2021 £	2020 £
Salaries and wages	241,435	221,103
Social security costs	20,015	17,628
Employer's contribution to defined contribution pension schemes	42,008	40,127
Other forms of employee benefits	2,744	598
	306,202	279,456

Notes to the financial statements

For the year ended 30 September 2021

7 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel (continued)

The following number of employees received employee benefits (excluding employer pension costs and employer's national insurance) during the year between:

	2021 No.	2020 No.
£60,000 – £69,999	1	1

The total employee benefits (including employer's pension contributions and employer's national insurance) of the key management personnel were £242,965 (2020: £227,775).

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2020: £nil). No charity trustee received payment for professional or other services supplied to the charity (2020: £nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totalling £181 (2020: £1,232) incurred by 9 (2020: 10) members relating to attendance at meetings of the trustees.

8 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 8.0 (2020:7.8). The full time equivalent number of staff was 6.8 (2020: 5.8).

9 Related party transactions

Due to the nature of the Foundation's operations and the composition of the trustee board and staff and their charitable interests, it is possible that the Foundation will make a donation to a charity in which a trustee or staff member may have a governance interest. In recognition of this possibility, trustees have developed a policy of disclosure to ensure there is no conflict of interest and that such a donation is made at arm's length.

During this year a grant of £300,000 was made to Fairshare Educational Foundation (Share Action) to fund core costs. Paul Dickinson is a trustee of both organisations and became Chair of Share Action in November 2018. (£200,000 was included in grant creditors at 30 September 2021.)

Ann Don Bosco is a trustee at Economy which was granted core funding this year of £190,000. (The full amount was included in grant creditors at 30 September 2021.)

Priya Lukka is a trustee at The Equality Trust. Funding had been given in March 2018, before Priya joined the Foundation's board, for a project which completed during this year.

For the Foundations Practice Ratings Project which started during this year, Kathleen Kelly, is an employee on a collaboration between trusts/foundations which include Esmee Fairbairn Foundation, the Paul Hamlyn Foundation and the Lankelly Chase Foundation who are partners in the project. (Friends Provident Foundation awarded £45,000 to this project, of which £30,000 was included in grant creditors at 30 September 2021.)

The following related party transactions were identified from previous years where the grants have still been live during this year:

- Fairshare Educational Foundation (Share Action): A grant of £80,000 was made in March 2020 to develop a legislative case for responsible investment in the run up to the COP26 event. Paul Dickinson is a trustee of both organisations and became Chair of Share Action in November 2018. (This grant was fully paid by 30 September 2021.)
- University of Birmingham, Centre on Household Assets and Savings Management (CHASM): A grant of £50,000 was awarded in March 2018 for the project 'Monitoring Financial inclusion 2018–2022'. Joanna Elson has since become Chair of CHASM's Advisory Panel. (£17,250 was included in grant creditors at 30 September 2021.)

The individuals mentioned above did not take part in the funding/investment decisions involving their related party transaction.

There are no donations from related parties (2020: None) which are outside the normal course of business and no restricted donations from related parties (2020: None).

10 Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

11 Tangible fixed assets

	Computer equipment £	Total £
Cost		
At the start of the year	13,010	13,010
Additions in year	2,028	2,028
At the end of the year	15,038	15,038
Depreciation		
At the start of the year	9,342	9,342
Charge for the year	1,560	1,560
At the end of the year	10,902	10,902
Net book value At the end of the year	4,136	4,136
At the start of the year	3,668	3,668

All of the above assets are used for charitable purposes.

12 Listed investments

	2021 £	2020 £
Fair value at the start of the year	28,940,048	32,440,369
Additions at cost	10,015,031	14,964
Disposal proceeds	(12,928,063)	(3,659,630)
Transfer in during year	1,958	-
Net gain on change in fair value	4,049,930	144,345
	30,078,904	28,940,048
Cash held by investment broker pending reinvestment	72,453	61,859
Fair value at the end of the year	30,151,357	29,001,907
	2021 £	2020 £
Historical costs of listed investments at the year end	20,392,091	17,520,789
Investments comprise:	2021 £	2020 £
UK Common investment funds	30,025,740	28,897,376
Shares listed on the London Stock Exchange	53,164	42,672
Cash	72,453	61,859
	30,151,357	29,001,907

During the year, £10 million was transferred from funds held by the existing fund manager to a new sustainable growth fund managed by Cazenove Capital. This followed the 'Investing olympics' event held in March 2020, an open tender event to seek new investment managers with the aim of achieving best practice in environmental, social and governance integration and impact.

Individual holdings of listed fixed asset investments, held at 30 September 2021, which represent a material proportion of the total value of the fixed asset investment portfolio were as follows:

	Valuation £	Proportion %
Cazenove Sustainable Growth Fund	10,780,736	35.8
BMO Responsible UK Equity Fund	6,694,618	22.2
BMO Responsible Global Equity Fund	5,904,144	19.6
BMO Responsible Sterling Corporate Bond Fund	6,646,242	22.0

Notes to the financial statements

For the year ended 30 September 2021

13 Social investments

	2021 £	2020 £
Value at the start of the year	2,449,960	2,300,000
Additions at cost	95,000	199,960
Funds released for reinvestment	(200,000)	–
Impairment charge	(300,000)	–
Conversion of Energy Gardens investment to grant funding	–	(50,000)
Value at the end of the year	<u>2,044,960</u>	<u>2,449,960</u>

On 30 September 2021, £200,000 of funds were released from the investment in Snowball Impact Investments LLP. These funds were held as a debtor at the year end (see note 14 below), before being reinvested into Snowball Impact Management Limited (SIML) on 14 October 2021. The funds of £300,000 already invested in SIML at the year end have been impaired. This is following independent advice and in accordance with our social investment valuation policy. This policy would also lead to the £200,000 invested post year-end being impaired. It was always anticipated that SIML would need additional capital whilst the Snowball Impact Investments LLP fund grew to scale and there are plans in place for further capitalisations.

The social investments include a ten-year loan of £100,000 made to the Stichting Equileap Foundation in July 2018. This Foundation has re-structured and the loan has been repaid early, in November 2021.

Individual holdings of social investments, held at 30 September 2021, which represent a material proportion of the total value of the social investment portfolio were as follows:

	Valuation £	Proportion %
Snowball Impact Investments LLP	1,500,000	73.4
Riding Sunbeams Apollo Limited	199,960	9.8
Equileap	100,000	4.9
Egni Co-op	100,000	4.9
AWEL Co-op	95,000	4.6
Energy Gardens	50,000	2.4

14 Debtors

	2021 £	2020 £
Grants receivable	70,000	–
Funds held for reinvestment (see note 13 above)	200,000	–
Other debtors	1,654	1,500
Prepayments	13,582	5,666
Accrued income	91,283	106,538
	<u>376,519</u>	<u>113,704</u>

15 Creditors: amounts falling due within one year

	2021 £	2020 £
Grants payable (note 5)	2,998,359	2,881,688
Other creditors	7,067	168
Accruals	35,497	38,189
	<u>3,040,923</u>	<u>2,920,045</u>

16 Creditors: amounts falling due after one year

	2021 £	2020 £
Grants payable – within 1 to 5 years (note 5)	813,751	1,216,614
	<u>813,751</u>	<u>1,216,614</u>

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2021

17a Analysis of net assets between funds (current year)

	Restricted £	General unrestricted £	Designated £	Total funds £
Tangible fixed assets	-	4,136	-	4,136
Investments	-	32,196,317	-	32,196,317
Current assets	87,023	1,498,336	-	1,585,359
Current liabilities	-	(3,040,923)	-	(3,040,923)
Long term liabilities	-	(813,751)	-	(813,751)
Net assets at 30 September 2021	87,023	29,844,115	-	29,931,138

17b Analysis of net assets between funds (prior year)

	Restricted £	General unrestricted £	Designated £	Total funds £
Tangible fixed assets	-	3,668	-	3,668
Investments	-	31,451,867	-	31,451,867
Current assets	-	1,445,169	45,000	1,490,169
Current liabilities	-	(2,920,045)	-	(2,920,045)
Long term liabilities	-	(1,216,614)	-	(1,216,614)
Net assets at 30 September 2020	-	28,764,045	45,000	28,809,045

18a Movements in funds (current year)

	At 1 October 2020 £	Income & gains £	Expenditure & losses £	Transfers £	At 30 September 2021 £
Restricted funds:					
Restricted funds:					
Foundation Practice Rating Project	-	140,000	(52,977)	-	87,023
Total restricted funds	-	140,000	(52,977)	-	87,023
Unrestricted funds:					
Designated funds:					
Foundation Practice Rating Project – funds contributed by Friends Provident Foundation	45,000	-	-	(45,000)	-
Total designated funds	45,000	-	-	(45,000)	-
General funds	28,764,045	4,444,532	(3,409,462)	45,000	29,844,115
Total funds	28,809,045	4,584,532	(3,462,439)	-	29,931,138

Funds held during the current year comprised of both restricted and unrestricted funds. Funds held in the prior year were all unrestricted funds. The narrative to explain the purpose of the restricted and designated funds is given at the foot of the note below.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2021

18b Movements in funds (prior year)

	At 1 October 2019 £	Income & gains £	Expenditure & losses £	Transfers £	At 30 September 2020 £
Restricted funds:					
Restricted funds:					
Foundation Practice Rating Project	-	-	-	-	-
Total restricted funds	-	-	-	-	-
Unrestricted funds:					
Designated funds:					
Foundation Practice Rating Project	-	-	-	45,000	45,000
Total designated funds	-	-	-	45,000	45,000
General funds	30,964,989	719,045	(2,874,989)	(45,000)	28,764,045
Total funds	30,964,989	719,045	(2,874,989)	-	28,809,045

Purpose of restricted funds

During the year, Friends Provident Foundation has coordinated the Foundation Practice Rating Project, working with nine other partner trusts/foundations. The aim of the project is to develop a new method of assessing the governance and reporting practices of private trusts and foundations in the UK, creating a public record of their achievements. Performance will be assessed in three areas: Transparency, Accountability and Diversity.

Purpose of designated funds

The Foundation Practice Rating Project (previously called the Index of Foundation Diversity, Transparency and Accountability) began during the current year. The designated funds held at the start of the year represent the contribution towards the project by Friends Provident Foundation which was approved by Trustees in September 2020. Agreements were entered into with the other partner trusts/foundations in late 2020/early 2021. Once these were signed and it was certain that the project would progress, the Friends Provident Foundation's contribution could be accounted for as a grant commitment from general funds (rather than as delegated funds).

19 Operating lease commitments payable as a lessee

The charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods

	Property 2021 £	2020 £
Less than one year	17,600	19,200
One to five years	-	17,600
Over five years	-	-
	17,600	36,800

20 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

England & Wales - Charity number 1087053

Accounts

Charity No: 1087053

Company No: 04228843

**FRIENDS PROVIDENT CHARITABLE FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
REPORT AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2020

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

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FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

REFERENCE AND ADMINISTRATIVE INFORMATION

Charity name:	Friends Provident Charitable Foundation
Other names by which the charity is known:	Friends Provident Foundation
Charity number:	1087053 - registered in England & Wales.
Company number:	04228843 - incorporated in the UK

REGISTERED ADDRESS

Blake House
18 Blake Street
York
YO1 8QG

BOARD OF TRUSTEES

Members:

Abraham Baldry (joined 1 April 2020)
Ann don Bosco (joined 1 April 2020)
Paul Dickinson
Joanna Elson (Vice Chair)
Patrick Hynes (retired 31 December 2019)
Kathleen Kelly
Priya Lukka (joined 1 April 2020)
Stephanie Maier (joined 1 April 2020)
Stephen Muers (Chair from 1 January 2021)
Hetan Shah (retired 31 December 2020)
Aphra Sklair

KEY MANAGEMENT PERSONNEL

Foundation Director:	Danielle Walker Palmour
Investment Engagement Manager:	Colin Baines
Grants Manager:	Abigail Gibson
Finance and Operations Manager:	Kate Kendall
Communications Manager:	Nicola Putnam

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

REFERENCE AND ADMINISTRATIVE INFORMATION

PRINCIPAL ADVISORS

Principal Bankers:	CAF BANK Limited PO Box 289 West Malling Kent ME19 4TA	Triodos Bank NV Deanery Road Bristol BS1 5AS
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Auditor:	Sayer Vincent LLP Invicta House 108-114 Golden Lane London EC1Y 0TL
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Investment Advisor:	Peter Jones Independent Advisor
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Solicitors:	Wrigley's Solicitors LLP 19 Cookridge Street Leeds LS2 3AG
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Investment Managers:	BMO Asset Management 55 Baker Street London W1U 7EU
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FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

REPORT OF THE TRUSTEES

CHAIR'S INTRODUCTION

This is my last foreword as Chair after being in role for five years, and so I want to take the opportunity to look back. It is fair to say that over that time, Friends Provident Foundation has greatly changed. We have stayed upstream and focused on systemic level change through clarifying our vision to create a fair and sustainable economic system that serves society. Strategically we have moved from a focus primarily on grant giving to a wider threefold strategy for creating change: grant making, our role as an investor and our ability to convene and communicate.

One of the most significant decisions of the trustees was that given the importance of our mission and the quality of the applications we were receiving we would start using some of our endowment to fund projects. This was not a supply side decision to 'spend down' but a demand-led approach to support our grantees, and a recognition of path dependency: tomorrow's economy will be shaped by today's interventions. As a grant maker we see ourselves as an early-stage risk funder. We have a wide portfolio – working across the spectrum of economics curricula, the media, think tank research, as well as supporting local and regional projects which may demonstrate new economic models.

As a relatively small funder with a big mission, the Foundation has worked to help shape thinking in the wider world of philanthropy, making the case for grant making organisations to take a more systemic approach and to think about the economy. We have been pleased to see new funders enter this field including Partners for a New Economy; Thirty Percy, Laundes Foundation, Hewlett and Omidyar.

I'm also proud that we have been a leader in using our whole endowment for mission, including through impact investing, and shareholder engagement. We have played a leading role across the foundation sector in helping them consider that approach. This was exemplified by our 'ESG Investing Olympics', where we partnered with others to put over £33m of investment funds to tender in a bid to drive up the quality of ethical investment funds. This led to over 60 proposals and ultimately the creation of a fund that sets new ethical standards by the winner: Cazenove.

We have sought to develop a learning and questioning culture at Friends Provident Foundation. Our external evaluation in 2018 by New Philanthropy Capital helped us reflect on our performance. It was clear that our move to core funding some key organisations had been welcomed, and that we were seen as a supportive funder. The evaluation spurred us to think more about how to strengthen diversity and racial economic justice, and this has started to change some of our funding decisions to widen our portfolio.

The world continues to change around us. The pandemic has uncovered and exacerbated existing problems in our society and cast light on the nature of our economy. There is greater recognition of the imbalances of the UK economy including regional inequalities and precarious and low paid jobs which often do not reflect their social value. The spectre of unemployment is back. The questions that the Foundation has been addressing for the last decade are more relevant than ever: how do we build an economy that works for everyone? What are the structures and incentive systems which will align shareholder value with societal value? What metrics will allow investors to properly value the long term?

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

It has been a pleasure and a privilege to be part of the work of such a forward-looking Foundation. I would like to thank our partners, grantees, advisors, trustees and staff for working together for a better world. And of course, particular thanks to Danielle Walker Palmour, our Director, who has been with the Foundation from the start, and continues to make it an inspirational body. I look forward to seeing the progress of the Foundation's work under the able leadership of my successor, Stephen Muers.

Hetan Shah
October 2020

DIRECTOR'S REPORT

As always, annual reports mark endings and beginnings; technically the end of one financial accounting period during which we take stock of our spending and activities and set out our plans for the next. They are opportunities for reflection and review, remuneration and planning.

In this case, 2020 has been a year like no other. And, in the midst of so much unplanned activity arising from the Covid-19 pandemic, we have the planned departure of our Chair, Hetan Shah.

It is a common trope in the foundation sector that an important asset of charitable foundations is our board of Trustees; the reality is that to foundation staff, boards can be considered liabilities that need to be worked around, from which real innovation must be shielded and staff protected. That is not the case for Friends Provident Foundation, and this is largely due to the board culture cultivated by the Chair. Over the past five years, Hetan has supported, coached, cajoled, and guided the staff and Trustee team to focus our strategy and review progress, discover our organisational and individual voices, deepen our relationships with key organisations through core funding and centre of capital base as a core element of our strategy. And it has been done with good humour, honesty and with a sense of shared mission – to create a fair economy responsive to the needs of society.

Although we say goodbye to Hetan at the end of this year and trustee Patrick Hynes late in 2019, we also welcomed four new Trustees in 2020 – Abraham Baldry, Ann Don Bosco, Priya Lukka and Stephanie Maier – who have all already added huge value to our work. In 2021 we look forward to welcoming Stephen Muers as our new Chair of Trustees. Stephen brings experience of strategy and thought leadership to the role alongside existing service as a trustee.

In this year like no other, we hope to move forward into the next to build on the resilience and innovation we have discovered in ourselves this year as well as create new opportunities to grow the chorus of voices demanding an economy that serves the current and future needs of society.

Danielle Walker Palmour

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

Our purpose - Fair Economy. Better world.

Friends Provident Foundation is an independent charity that makes grants and uses its endowment towards a fair and sustainable economic system that serves people and planet. We connect, fund, support and invest in new thinking to shape a future economy that works for all.

Since 2004, we have pioneered the creation of a fair economy for a better world. Already, we have helped improve access to financial services for people who were once excluded and supported the development of resilient economic communities across the UK.

We are a catalyst for wider change, making an impact through continuous experimentation and shared learning. And we do all we can to embody the change we want to see. We invest in great social enterprises and use our money in line with our values.

Tomorrow, we will continue to fund more new thinking, connect new ideas, invest our capital in line with our aims and values and create better systems so that in the future, the economy will serve both people and planet.

OUR AIMS

The economy lies at the heart of today's biggest issues. Our economic system produces inequality, environmental degradation and undermines good business and behaviours. It should not have to be that way.

How we work to achieve our vision

Our mission is to help create a 'fair economy, better world'. Our strategy contributes to the delivery of this mission in three ways, through:

1. Giving grants.
2. The way we manage our investments.
3. Our power to convene and communicate.

The problems we face are urgent, including the huge changes to the nature of work, major regional economic imbalances, and long-term environmental issues, such as climate change, that have the potential to impact on the economy. In light of this, we have made some decisions to change the way we operate.

Using all our resources – spending capital

We believe that the challenges facing the world and our society are formidable. Creating a responsive and resilient economic system to face these challenges will require all our effort and resources. We will therefore use our capital endowment, not just our income, to fund suitable quality projects.

Core funding

We will consider more core funding of organisations with whom we have built a relationship of trust, with the aim of empowering organisations working in our area of interest to work flexibly and to provide them with the capacity to respond effectively to changes in the external environment.

Investment engagement

The Foundation aims to align its work and investment and has therefore developed a new function – investment engagement. Trustees identified some key themes to underpin and focus our proactive

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

work in this area, drawn from what we have learned so far or key developments in our programme areas.

Our programme

We work through grant-giving, investment, sharing what we have learned and convening events. Our programme – Developing a Fair Economy – focuses on the system change grounded in lived experience that we believe is needed for a fair economy and a better world.

Developing a Fair Economy

Local economies that have the assets, understanding, tools and capacities to respond to changes in economic circumstances are important for strong communities.

Economic, social, and environmental disruption in the UK and beyond is evidence that the way capitalism and financial systems operate is creating social disharmony and increasing inequality. Our Developing a Fair Economy grants programme focuses on how we can make a difference to the lives of the most vulnerable as this is where the flaws in the system are most obvious, not just in terms of poverty, but also inequality.

Systems change

We support disruptive innovation that will change the way the economy is organised. We're keen to explore and inform how change at a regulatory, policy and other systemic level might contribute to an economy that balances risks and rewards more fairly and uses resources sustainably.

We know that systems change will need strong analysis from a range of perspectives. So, we want to support work that can influence decision-making by different groups in the economy, with the aim of stimulating new realistic ideas and practical examples that can be scaled up.

Local economies

For most people, their experience of economic forces and their understanding of how they are affected by those forces is at a local level, whether that is a region, city, or community. Our work on this theme aims to support the development of fair and healthy local economies, building on thinking and approaches that help local areas to create economic well-being and retain value in the community. This could be relating to community assets, building local capacity to manage economic change, and other local resources.

So, our focus is on testing and reviewing local or small-scale initiatives that support local economies through diversity, flexibility and building capability in communities.

Right Use of Money

How can **financial systems** create and sustain **social harmony**, and at the same time deliver economic goods and services? This **question** forms the basis of the Foundation's work and reflects ground-breaking work to develop ethical funds carried out by our original donor, Friends Provident, over 30 years ago.

The Foundation continues to explore these issues through its main grant-making programme as well as supporting a small number of projects to explore aspects of the ethics of the financial systems that underpin our society.

In 2019-20 we set ourselves eight goals:

This year has been marked by the emergence of a global pandemic which forced Foundation staff to relocate all operations to remote working from the end of March 2020, coupled with the two-month

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

absence of the Foundation Director on a planned sabbatical between April and June. Therefore, in reviewing the annual objectives, it is a testament to the flexibility and hard work of the remaining staff that most objectives were achieved; those that were not, were only partially achieved due to Covid-19.

1. **To become more outward focused in this phase of our programme, 'Develop a Fair Economy', to connect more effectively with others in the field to achieve our mission.**
Mostly achieved – milestones related to the building of staff skills, a coherent digital strategy, events, jointly funded projects, and social media engagement were achieved; the recruitment of bell-weather commentators was not progressed. We will retain this objective and build on it in 2020-21.
2. **To re-orient the Foundation's governance and operations toward learning.**
Partly achieved – The Promising Approaches strand of funding was implemented and two projects were funded under that heading to enable the maintenance of momentum; we have sought to foreground grants impact/learning on Trustee agendas and to have more active learning from projects in the team, with limited success; our efforts to mine our evidence were only partially achieved in relation to economics education; our Resources Committee (RC) considered a funder benchmarking scheme (not progressed); and the staff/ Trustee learning sessions have been transformed into lunch and learn sessions trialled this Summer.
3. **To focus our resources on the projects most likely to be transformational.**
Achieved – Internal systems required to focus resources were put in place, with regular budget monitoring, grants spend management and sharpened funding prioritisation/ recommendation. Although we have focused our funding decisions, it is difficult to assess whether the implementation of new systems will achieve transformational change.
4. **To launch our investment strategy with a new investment manager to better align our capital with our mission.**
Achieved – The milestones for the mainstream investment agenda have been wholly achieved, although the timescale was longer; the media coverage and sector impact appear to be high. The social investment objectives were not met but we will carry that forward to 2020-21.
5. **To develop metrics and monitoring methods to track progress towards a fair economy**
Not achieved – This has not been achieved for the second year; a small working group of staff and Trustees are considering next steps.
6. **Ensure an effective transition of good governance through Trustee and Chair recruitment processes.**
Achieved – New Trustees were recruited through a very successful process with an excellent response; induction discussions and initial learning sessions were carried out; all are contributing well to governance processes.
7. **To enable staff to develop personally and professionally**
Partly achieved – Discussions of development carried out in appraisals and changes considered by RC (on-going); overarching staff development plan and organisational/ personal metrics not achieved. This will be continued within objectives for 2020-21.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

8. To develop an effective operational response to the climate emergency.

Partly achieved – Milestones for Funders Commitment on Climate Change, Climate Perks scheme and Climate Emergency Declaration achieved; wider discussion with those we support at our conference and newsletter but not deeper engagement; Blake House discussion started but not resumed due to the pandemic.

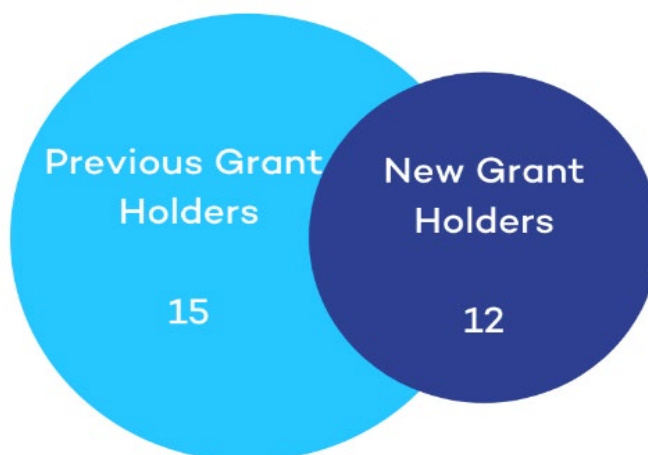
How we worked through our grant giving

New Grants in 2019/2020



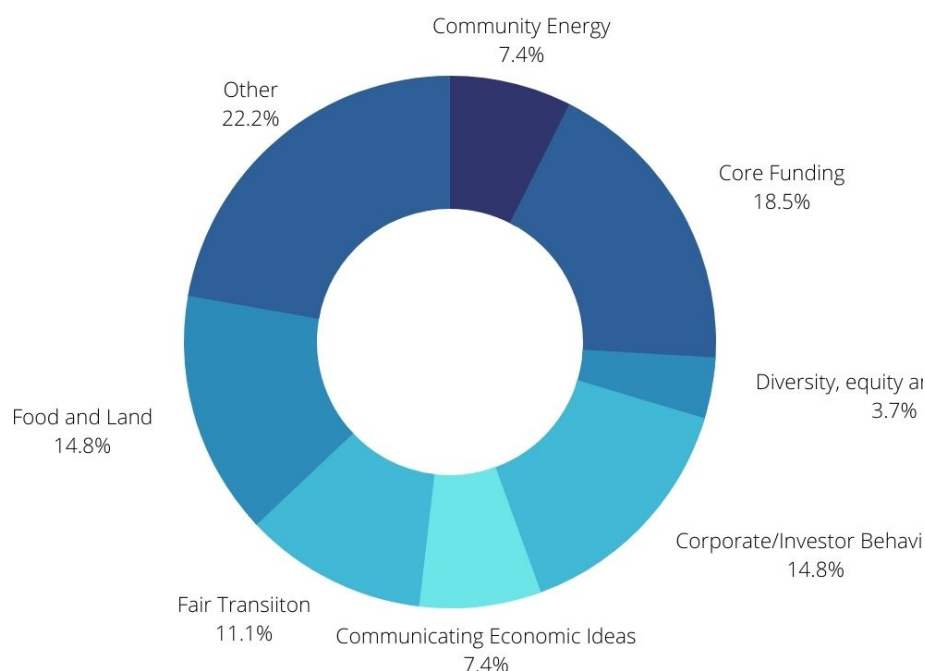
27 new grants were made during over year, resulting in commitments worth just under £2.3m. 39 stage two applications were considered in all, with a value of just over £4m.

12 (or 44%) of the grants made were to organisations that had not previously received a grant from the Foundation, with the remaining 15 (or 56%) being made to previous grant holders.



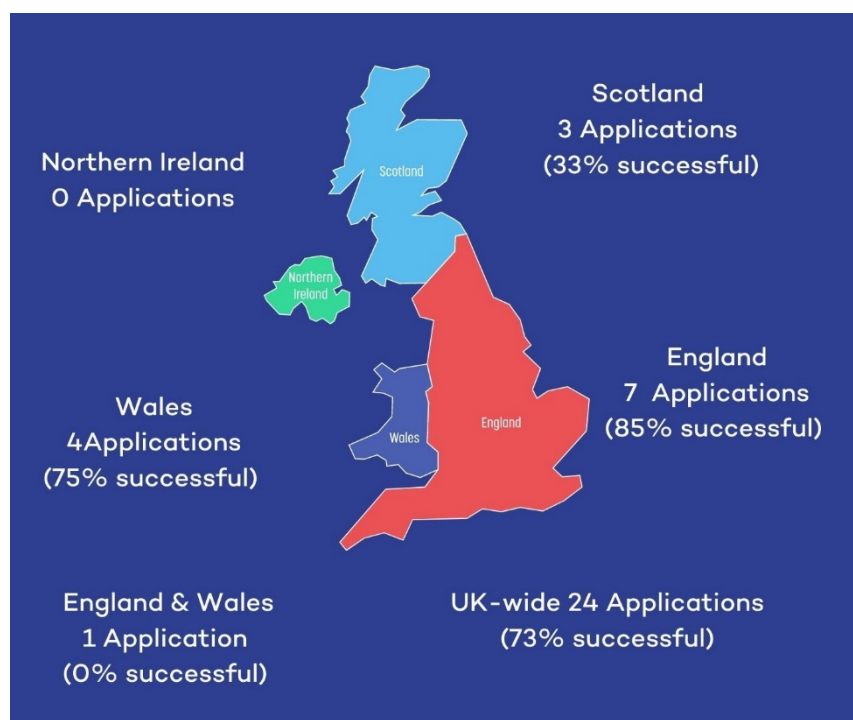
FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020



The themes covered by these new grants were communicating economic ideas; investor/corporate behaviour; community energy; local development; a fair transition to a low carbon economy; tax; community assets and convening, and diversity, equity and inclusion. We also made six grants for unrestricted (core) funding.

Stage Two Applications by Place



Geographically the largest number of applications at stage two were for projects operating across the UK (50% of all applications).

No applications were assessed at stage two for activity in Northern Ireland.

The success rate for UK-wide, English and Welsh focused applications ranged from 73%-85% but was significantly lower for Scotland (33%).

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

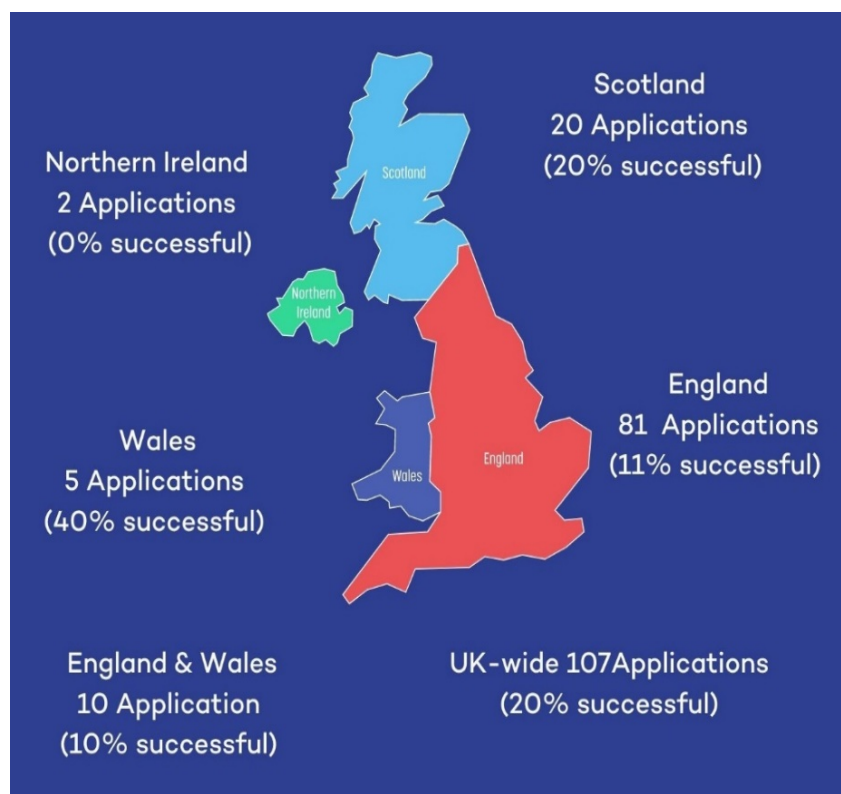
Applications Received 2019/2020

225 outline (first stage) applications worth £28m were submitted to the Foundation over the year a sizeable increase from 2018/19 (154 applications worth £17.7m).

The past 5 years have seen a pattern of increasing demand from the programme.



Stage One Applications by Place.



The greatest number of applications received were for projects with a UK-wide focus (48%) with a further 36% being for activity in England. A smaller number of applications were received for Scotland, England & Wales, Wales and Northern Ireland.

UK-wide applications were a still greater proportion of those invited to stage 2 – whilst they accounted for 48% of applications overall, they accounted for 57% of those invited to stage 2. (These were primarily Systems Change applications).

Similarly, applications from Scotland and Wales were also a greater percentage of those invited to stage 2 than they were of total applications.

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Unrestricted Funding

Finance Innovation Lab  £100,000 Repeat funding	Centre for Local Economic Strategies (CLES)  £100,000 Repeat funding	Public Interest Research Company (PIRC)  £10,000 New funding
Fair By Design (Barrow Cadbury Trust)  £60,000 New funding	New Economics Foundation (NEF)  £200,000 Repeat funding	Institute of Welsh Affairs (IWA)  £100,000 New funding

Over the year we continued to develop our strategy of providing unrestricted funding for organisations with whom we have strong working relationships and a close synergy in terms of strategy and mission.

This funding aims to empower these organisations to work flexibly, to take more risks in pursuit of their mission and to have the capacity to respond to changes in the external environment.

Six new grants were made for core funding over the year – three of these were repeat core funding, three were new core grants.

New Grants 2019/2020			
Behavioural Insights Ltd	Behavioural insights and market design: a wider toolkit to tackle inequality	£10,000	Behavioural insights give the tools to better diagnose and understand why markets don't deliver the outcomes we want. It can also help develop better solutions to address big policy challenges like inequality. Building these insights into economic policy offers a more empirical, pragmatic and optimistic view of how markets can deliver for most consumers and citizens. We will write an extended outline that will form the basis of a fuller report (or set of papers) targeted at policymakers setting out the case for this and proposed directions for future research.
Centre for Local Economic Strategies (CLES)	CLES Core Funding 2	£100,000	Core funding in support of CLES' strategy.

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Energy Garden	Energy Garden: a fair, scalable model to transition transport to a low carbon sustainable future	£97,000	Energy Garden invests in renewable energy to fund community development. We foster resilience in local communities, economies, and ecologies. Starting with London's transportation network, Energy Garden is working with all six transport operators to transition them to low-carbon energy and provide community groups access to rail-side space for greening, air quality, biodiversity and eco-learning. Our FCA-approved investment model (of £100 million) aims to deliver environmental & social change with the revenue from energy sales, as well as selling social and environmental outcomes to corporates (fully accredited, paid youth training programme, refugee integration support, schools' programmes, adult mentoring and inclusion for elderly).
Fairshare Educational Foundation (operating as ShareAction)	Developing the legislative case for Responsible Investment in the run up to COP 26	£80,000	Too often, UK policy development around sustainable finance is conducted in piecemeal fashion, skirting around the edges of financial regulation. This reflects a conservative mind-set amongst policy makers and is exacerbated by the fact that no single department has ownership of sustainable and responsible investment. ShareAction wants to initiate the enactment of a Bill bringing together all aspects of responsible investment which will have a transformational impact and propel the UK finance sector towards a more sustainable pathway. We see this as a vital piece of work if we are to succeed in halting the climate crisis and one which will put the UK front and centre of the sustainability movement ahead of COP 26.
Finance Innovation Lab	Core Funding 2	£100,000	Core funding in support of Finance Innovation Lab's work.
Forum for the Future	Enabling and empowering community-led fair transitions to resilient, net-zero carbon economies	£190,000	Achieving net-zero by 2050 means the end of fossil fuel power stations, internal combustion engine factories and gas boilers. As plants close/are repurposed, people and communities risk being stranded, as when coal mines closed. However, net-zero industries (e.g. electric vehicle manufacturing) offer scope to increase economic resilience. To enable rapid, resilient transitions we aim to: Empower at-risk communities to design & implement transition plans; Engage business in piloting pathways to fair transitions; Show that multiple sectors can

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			benefit from engaging communities in their net-zero pathway; Develop positive narratives to shift mindsets around decarbonisation; Support scaling across sectors & activate wider levers for change.
Institute of Welsh Affairs	Our Land	£10,000	This short piece of work will fund engagement with key stakeholders to explore attitudes & motivations around and barriers & enablers of community involvement in land use. It will focus on landowners (public and private), policy makers (national & local) and community organisations. The end output will be a report and launch event which brings participants together, sets out the areas of consensus and seeks a way forward on those issues where there is not. They would use this to put together a larger proposal and as the basis for engagement with the 2021 Assembly elections.
Institute of Welsh Affairs (IWA)	Core funding: Supporting a successful, clean, green and fair economy for Wales	£100,000	The IWA is Wales' leading independent think tank, with a track record of shaping debates and influencing change in Wales through policy research, publications and agenda-setting events. Our recent policy work has been funded on a per-project basis. We want to increase our core capacity to: 1. Develop, deliver and communicate high quality, responsive economic policy analysis and influencing 2. Run economic policy events with communities and partners to develop and share our intelligence on what matters most in enabling successful local economies 3. Resource the development of future policy research projects. This will help ensure communities in Wales benefit from an economic policy framework informed by their needs and aspirations.
Local Trust	Enabling community wealth building in the most "left behind" areas	£15,000	We are seeking funding to extend and develop the Community Wealth Fund Alliance's campaign for a new independent permanent endowment to invest in our most 'left behind' neighbourhoods. Our aspiration is to create a £4 billion fund, supported by an estimated £2 billion in new dormant assets matched by the private sector. The most important distribution principle is that funding decisions would be devolved to communities as we believe this to be the best means of realising our goal, which is to build strong social and economic capital in

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			these neighbourhoods, generating individual and collective confidence and resilience, whilst giving power back to communities who feel disenfranchised and disempowered.
London School of Economics and Political Science	Implementing the UK Investor Roadmap for a Just Transition	£141,220	Our goal is to stimulate and support system-level innovation in the UK that will enable investors and the financial sector more broadly to deliver a just transition. The work will seek to implement the key recommendations of the Investor Roadmap for the just transition, which was launched on 1 October 2019. Over an 18-month period from April 2020, the project will focus on achieving positive impact through shareholder engagement, capital reallocation (including place-based assets) and policy advocacy at the local and national levels. COP26 in Glasgow will be a key milestone to show how financing a just transition can generate stronger climate ambition.
London School of Economics and Political Science	Financing a Just Transition 2.0: Implementing the UK Investor Roadmap	£58,276	This funding proposal is designed to enable the early implementation of the Investor Roadmap for a Just Transition in the UK during the six-month period from October 2019 to the end of March 2020. The core goal of this funding is not just to maintain the momentum that has been achieved but to translate this into practical action.
Manchester Metropolitan University	Teaching Economic Policy Institutions	£38,000	This project aims to fill a major gap in economic understanding, by developing new teaching resources on economic policy-making institutions, on the basis of an original appraisal of the state of knowledge in this regard within the economics profession. The project will make a unique contribution to the development of economics teaching and more generally our understanding of power, politics and institutional processes in the production and reproduction of economic structures. The project also facilitates a new collaboration between researchers and lecturers in higher education, the Rethinking Economics campaign organisation, and wider policy-making communities.
Muslim Women's Council	Think + Do Tank - a hub for Muslim women to explore new economic approaches	£150,208	We want to establish a 'Think + Do Tank' that engages Muslim women on their lived experience of poverty, barriers to employment, enterprise and finance; to take them from the margins to the heart of designing better economic systems and policy that benefit them

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			and others in similar situations to them. This includes identifying how and why the existing neo-liberal capitalist system is perpetuating inequality towards Muslim women and recommending alternative economic systems that would have a material impact on the lived experience of Muslim women. This will contribute to the long-term ambitious vision of influencing systemic change across economic policy, commercial and political strategies and systems of the UK.
New Economics Foundation (NEF)	Empowering Stranded Communities	£180,000	The New Economics Foundation wants to work on the ground in communities heavily reliant on high carbon employment to build local just transition plans that tackle the climate crisis and ensure a sustainable and resilient economic future. These plans will be co-designed with local communities, workers, unions and broader civil society and will be linked into the powerful movement for change that is calling for urgent action on the climate crisis in the UK. We will conduct robust national policy development and advocacy, interwoven with insightful framing and narrative advice, to ensure that the places we work in are not islands of change but the bedrock of a national Just Transition to a sustainable and more equal economy.
New Economics Foundation (NEF)	NEF Core 3	£200,000	Core Funding in support of NEF's mission.
Ownership Futures	Just Capital: rewiring asset management to drive systemic change	£80,000	We want to undertake a three-part project analysing the asset management industry: its role in shaping FTSE 350 company behaviour, the impact of long maturity bonds issued by fossil fuel companies on pension funds and the sector's role in driving corporate consolidation during the coronavirus crisis. The modules will present new findings and set out recommendations to democratise asset management and address the climate emergency. Where possible, we will also aim to produce topical briefing notes. Working with partners, we aim to mainstream our findings and recommendations to 'insider' policymakers and the wider new economy movement and enhance public understanding of the sector's

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			systemic role via advocacy, media and social media work.
Power for People Ltd	The Community Energy Revolution - the campaign for the Local Electricity Bill	£10,000	We are campaigning for the Local Electricity Bill to become law. This would empower communities to set up locally renewable energy companies, unlocking huge potential for local economies across the UK to benefit from a just transition to renewables. To achieve this, we are bringing people, community groups, councils, businesses and national organisations together to support the Bill and call on MPs and the government to ensure it is enacted by Parliament. We know that this campaign is winnable and how to win it, as we led the campaigns for the Climate Change Act, the Sustainable Communities Act, the Home Energy Conservation Act, the Warm Homes Act, the Sustainable Energy Act and over 20 other legislative changes.
Public Interest Research Centre	Emergency Core Funding (Covid-19 response)	£10,000	Core funding in support of PIRC's strategy.
Resolution Foundation	Workertech	£100,000	To create the UK's first social investment fund aimed at developing and growing ventures seeking to harness technology to improve the prospects, power and career-choices of workers, particularly those on low-pay or in insecure employment.
Stir To Action Ltd	New Economy Programme	£2,500	Small grant in support of Stir to Action's New Economy training programme.
Sustain: The alliance for better food and farming	Food Systems for 1.5 degrees - Shifting the agro-economy to tackle the climate and nature emergency	£90,000	We are in a time of climate and nature emergency, with land use and commodification key drivers of ecosystem harm but also with major opportunities to cut emissions, restore nature and become more resilient. As with renewable energy, good practice exists but, to meet the Paris 1.5 degree warming limit, fairly and sustainably, a deliberate and rapid transition to agro-ecological production is needed at scale, supported by new trading models, financial incentives, appropriate technology and major reform of the financial relationship between farmers, citizens, retailers and consumers. Building on prior influential work, Sustain will play a game-changing, catalytic role in achieving this and is uniquely placed and highly motivated to do so.

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The Barrow Cadbury Trust	Fair by Design	£60,000	Core Funding in support of the Fair By Design Campaign.
The Centre for Innovation in Voluntary Action	Comedy, Seriously?	£5,000	We want to use humour, satire and parody to expose the contradictions with which those in the finance system live every day, specifically those in large-scale asset management and asset ownership. Our theory of change is that by using humour to spotlight those contradictions, we can help trigger a transformation of the socio-economic context of the sector, thereby changing behaviour, including moving large sums of money to sustainable finance.
The Green Valleys (Wales) CIC	Project Skyline - Promising Ideas Follow on Funding	£6,300	Promising Ideas Funding, identified by staff, to maximise the impact of the original successful grant and to ensure momentum is not lost in the search for next stage funding from the Welsh Government.
The Landworkers' Alliance	Building resilient local food systems: Developing farmer-led innovation and skills for direct sales	£144,000	We are proposing a three-year project to develop innovation, skills and knowledge of direct sales and local supply chains in agro-ecological farming. The project will be based around 4 strands of work: 1. Sharing innovative examples of direct sales and local supply chains models; 2. Developing new models through collective analysis by groups of farmers; 3. Farmer-to-farmer exchanges to visit and learn about successful models; 4. Direct sales and local supply chain support through advice, handbooks and connecting producers. Through this work we aim to develop more innovative models for direct sales and local supply chains in food and farming, and to support more farmers to transition to these kinds of approaches.
Trade Justice Movement	Building a UK movement for trade deals that support climate goals	£118,000	Trade deals have the potential to support efforts to tackle climate change but, for too long, they have instead created barriers: contributing to increased greenhouse gas emissions, preventing the dissemination of green technology and hampering governments' ability to develop local green industries. Following the 2019 election, the UK will regain full sovereignty over trade policy, with negotiations starting in February 2020. This provides a unique opportunity to craft deals that are in line with UK climate commitments, and COP26 provides an ideal

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			context. The Trade Justice Movement has developed an outline proposal to restructure trade deals. This project will allow us to hone our proposal and build an alliance behind a low-carbon vision.
Wellbeing Economy Alliance (WEAll) Scotland	Building a wellbeing economy	£198,335	Scotland, a small country with huge ambition, stands poised to accelerate the change required to build a wellbeing economy. To realise this ambition & ensure the pioneering but fragmented work already underway achieves more than the sum of its parts, requires coordination & strategic direction. WEAll Scotland will work with partners to achieve this by establishing sector-specific clusters - focal points to champion institutional & corporate change by co-creating, testing & lobbying for alternative policies, practices & models within their own sectors, & by identifying the cross-sectoral opportunities for fundamental systems change. Through its networks WEAll Scotland will amplify the clusters' successes so they can be replicated in the UK & beyond.

Building the capacity of our investees and grantees

Within our grants and investment programmes, the Foundation actively works with funded organisations. More than half of our grants this year were to organisations returning for further funding to continue their work and the Foundation made six additional commitments to unrestricted funding support for grant holders with whom we have a strategic alignment.

The core funding we offer strategically aligned organisations can be vital in helping them to develop from small organisations often dependent on a single leader to stronger organisations with a broader and more substantial management structure.

This year our capacity to connect and bring together our grant holders, investees and partners has been somewhat hampered by Covid-19, but we are working on different ways to build and maintain connections, share skills, create new networks and learn more about the work of others.

We have sought to provide support to our existing grant holders over what has been a very difficult year – flexing project timescales and outcomes and providing increased grants in some instances.

Over the year, 19 grants were concluded, and these have generated a source of invaluable learning points, including the following highlights:

Grant Making Practice

- Our **flexible approach to grant management** is seen as important by grant holders in allowing projects to adapt and evolve in line with the external circumstances. It is important that we retain an approach to grant management that is enabling and supportive of the end

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objectives of a grant, rather than too concerned with sticking to an original plan about how it might get there.

- Core funded organisations have particularly valued the stability and flexibility their grant has provided them with over the year.
- **Trust** is a key part of the grant making relationship. It is vital that grant holders feel safe enough to tell us when things aren't going well and to allow us to support them during these times. Even in longstanding relationships it is important to maintain and rebuild trust over time.
- There is an important role for us as funders to play in **challenging lack of diversity** in governance, voice and engagement in the projects we fund.
- Sometimes when a project isn't working there can be value in allowing the grantholder more time to find another way. The outputs may not be what was originally intended but can still add value to our knowledge and understanding of an area.

Changing the economy

The Energy System

- When seeking to change the mindset of regulators a direct appeal may not always be successful. At times it is necessary to challenge their set-up and objectives in order to do so.
- Communities are still largely confused as to how they fit in the energy system post FIT¹. DSO²s, the SO and regulators all refer regularly to community energy but there is a feeling amongst some community energy organisations that this is lip service.
- Developing Heat Distribution Systems is challenging and retrofit is particularly expensive, technically difficult and hard to get investment in. But if we are going to hit zero carbon we have to deal with current stock. Policy changes may be needed to allow this to happen at scale.
- There is a lack of aspiration among many households to move to low carbon heating technologies – education/awareness raising is needed.

The Food Economy

- Supply chain intermediaries (e.g. agents, wholesalers, and distributors) in the food system do add value. They can perform vital functions in a supply chain. The intense price pressure felt by all involved has squeezed out excessive margins from links in the food supply chain.
- Local authorities have an important role to play in growing the local/sustainable food market and can address some of the problems within food supply chains.

The Investment System

- Most savers are unaware of the impacts their pension has on the world around them, despite the fact that the value of our pensions makes up more than half of all investments made in the UK.

¹ Feed In Tariff – a payment made to energy users for renewable energy they generate. This scheme was closed to new entrants in March 2019.

² DSOs – Distribution System Operator.

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- Many of the large UK pension funds do not prioritise stewardship. Government needs to incentivise better stewardship by these asset owners.
- More than half of asset managers have a limited approach to managing ESG risks. **The combined assets under management of those poorly scoring managers are \$36 trillion USD – greater than the GDP of the US and China.**
- European banks' performance on climate change is inadequate. The least convincing area is on financing carbon-heavy energies like coal, tar sands and other fossil fuels.
- Efforts to scale up 'green financing' are slowed down by challenges defining what qualifies as 'green', a lack of data and high transaction costs.
- Companies are failing to meet investor demand for data about their most vulnerable workers (e.g. temporary/supply chain workers).
- There is greater resistance to collective shareholder engagement from large mainstream investors on social issues such as fair pay than on environmental issues. Often large asset managers don't have their own house in order on issues such as pay gaps and very high executive pay.

Work and Pay

- Empowered workers are crucial – mitigating future challenges will require worker agency over crucial technologies such as artificial intelligence.
- A lack of worker power in the economy is a fundamental barrier for good work and tackling this is a prerequisite for tackling inequality and social justice.
- Systemic thinking is also crucial – the four policy systems that affects workers and good work outcomes (the state, finance, firms and civil society) all require joined up systems level thinking to bring about change.
- A fairly simple 'fair pay framework' has the potential to radically impact company pay decision making and ensure all employees share in the success of companies.

How we engage with investors through our market rate portfolio

We take an integrated approach to our mission and capital base, and use our endowment as a tool for change, including through social investments, asset manager and shareholder engagement.

We focus our efforts on strategic themes to underpin and focus our proactive work, drawn from what we have learned from or key developments in our programme areas:

Building economic resilience through engaging the energy market and support for community energy

We continue to engage the energy utilities market utilising outputs from grant recipients Forum for the Future, Influence Map and London School of Economics Grantham Institute.

The Foundation has partnered with Royal London Asset Management and Shareholders for Change to engage incumbent energy utilities to embrace the transition to decarbonised, decentralised and democratised energy (the '3D transition'), advocating business model resilience, just transition strategy, alignment of lobbying and community energy partnerships.

Throughout 2020, meetings have been held with Centrica, Scottish Power, EDF, RWE, EOn, and SSE.

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In response to our engagement, SSE announced at its AGM that it will adopt a formal just transition strategy that integrates socio-economic factors into the company's decarbonisation. This will be a sector first and look to mitigate negative impact and enhance opportunities for workers, communities, supply chains and consumers. We are in the process of supporting SSE to develop strategy, involving grant recipient LSE.

Engagement has also been undertaken with Drax Group, focusing upon just transition strategy and risk management. We have led engagement on behalf of eight large asset managers and asset owners, including a meeting with senior management and tour of the Drax power station in early 2020.

Direct shareholdings

In addition to investing in energy utility companies via our pooled fund investments, the Foundation buys direct shareholdings in companies we wish to influence as part of our thematic priorities. Current direct shareholdings include Centrica, Iberdrola, RWE, SSE, EDF, Drax Group and Total.

The Foundation's social investments

Snowball Impact Management - The Foundation became the third partner to join Snowball LLP in 2017, a ground-breaking new 100% impact investment fund. In 2020, Snowball LLP restructured to create Snowball Impact Management and Fund (GP/LP structure) to allow new investors. Snowball applies a social and environmental impact lens to all its investment analysis, reporting and decision-making. The purpose of the new company, as embedded in its Articles, is to "change behaviours in capital markets so that all capital is invested for social and environmental as well as financial returns". In 2017, our £2m investment in Snowball included cash and the transfer of ownership of six of our direct social investments, including Thrive Renewables, Awel wind co-op, Ethical Property Company, and Big Issue Invest – Social Enterprise Investment Fund 2.

Riding Sunbeams Apollo Ltd is a joint venture between Community Energy South, the climate charity Possible, Thrive Renewables and the Foundation. It seeks to decarbonise the transport system by developing community owned renewable energy assets and using the electricity generated to power trains and other forms of transport. Uniquely positioned to unblock barriers to community energy, it could be a catalyst for 200MW of clean energy across the UK. The company is the first to embed facilitating a just transition into its legal purpose. The Foundation invested £99,960 in 2020 for 5 percent equity. In addition, a repayable grant of £100,000 which had been awarded in March 2019 was converted to a further 3 percent equity holding.

Egni Solar Co-op is in the process of installing up to 5MW of rooftop solar on over 200 sites across Wales, including council buildings, university campuses, primary schools, community centres, breweries, and sports clubs. It is the largest ever roll-out of solar PV in Wales. Smaller sites such as primary schools and community centres will receive the energy for free as part of the co-op's community benefit. The Foundation invested £100,000 in a community share offer.

Energy Garden Ltd is a community benefit society hoping to raise funds to develop and acquire solar PV arrays. The income generated will be used to transform 50 London Overground platforms and stations into community gardens and food growing plots and to support volunteers and youth training. Its intention is to support resilient communities, improve air quality and well-being, and raise awareness of community energy. The Foundation has invested £50,000 in a future bond offer.

Stichting Equileap Foundation is a Dutch-based foundation that has established Equileap Information Services as a way of addressing gender equality through gender lens investing. Equileap

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aims to accelerate progress towards gender equality in the workplace as a powerful lever in tackling inequality and poverty. To do this they use three strategies: knowledge – providing detailed data on each company's gender equality performance; investing – using the data to create new, gender sensitive, financial products, and building a network of well-informed gender lens investors; and finally donations – encouraging investors to share their returns and using any net profits from this work to create a sustainable source of funding to tackle the root causes of gendered economic inequality. The Foundation invested £100,000 in 2019, as a ten-year loan.

Ethex is a non-profit ethical investment club, which has both ethical investors and ethical businesses as members. Through collaboration and the pooling of resources, it aims to promote and encourage businesses that have both social and commercial goals. It wants to make financial services more affordable and more available to ethical businesses and to ethical investors. The Foundation invested £50,000 in 2013, structured as a loan. A repayment of £10,000 was made by Ethex in October 2018.

WHO WE ARE NOW: OUR POLICIES, GOVERNANCE AND OPERATIONS

Using our resources – spending capital as well as income

Trustees believe that the challenges, facing the world and our society in it, are formidable. Creating a responsive resilient economic system that forms part of the solution to these challenges will require all our effort and resources to achieve. Considering this, Trustees took the decision that the Foundation can spend its capital as well as its income in pursuit of our mission. Trustees actively review both strategy and resources to manage the risk of this approach.

Ethical investment policy

In September 2019, we updated our investment policy and principles, setting out our approach to generating social and environmental returns in our market-rate portfolio. It includes: "areas that we will particularly favour in our investments wherever possible; areas where we will use our influence as a shareholder, working alone and with other investors, to encourage changes in corporate practices that serve our mission; and areas and corporate practices in which we will not invest because we judge that they are profoundly inconsistent with our mission". Our funds are in responsible investment funds that are screened and undertake shareholder engagement activity.

Trustees, taking into account the cash flow requirements, potential investment funds, the cost of fund management and their decision to invest ethically, invest the Foundation's portfolio in a range of funds managed by the BMO Asset Management Limited: Responsible Global Equity Fund (Inc) (Share Class 4), Responsible Sterling Bond Fund (Inc) (Share Class 2), and the Responsible UK Equity Growth Fund (Inc) (Share Class 4). The Foundation maintains a facility to deposit cash it does not immediately require for operational purposes with Triodos Bank NV, thereby seeking to ensure the ethical management of the Foundation's cash as well as its investments.

The top 20 investments in our BMO Asset Management funds at September 2020 are:

- Forward FX sterling to euro currency trading
- Microsoft
- Apple
- AstraZeneca
- SAP SE
- Fresenius
- Linde

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- Intertek
- Hoya Corp
- Keyence Corp
- Glaxosmithkline
- Schneider Electric
- Shimano
- Taiwan Semiconductor
- Experian
- Allianz
- CSL
- Toyota
- Prudential
- Kerry Group

Trustees have developed our thinking about our priorities in terms of investment as well as our policy relating to climate change; the full outline of our investment beliefs and policies are available on our website. We continue to work with other trusts and foundations in the Charities Responsible Investment Network, which is a project of ShareAction UK, supporting a growing number of trusts interested in being more effective stewards of our resources. We are also members of a wider network of charities and other organisations in the Church Investors Group, supported by CCLA, and Shareholders for Change.

New investment manager tender

In January 2020, the Foundation launched an investment manager tender to increase the endowment's impact and contribution to our mission.

The Foundation wished to appoint a second asset manager that will operate in parallel with BMO Global Asset Management and manage £10m of the endowment. We joined Joffe Trust and Blagrove Trust to seek a new manager together and offer a total investment mandate of £33.5m.

We launched a public Request for Proposals and selection process, dubbed the 'ESG Investing Olympics', and received 59 proposals. A short-list of five managers were invited to present at the Royal Institution, London, on 3rd March 2020 to an audience of trustees, mission-led asset owners (charities, churches, universities, and pensions), and grant recipients with an interest in sustainable finance, e.g. ShareAction.

The Foundation took this approach to:

- Help bring investment management out of the shadows;
- Draw on the expertise of like-minded investors and grant recipients;
- Share learning on emerging best practice in the market; and,
- Send a market signal regarding asset owner demand for investment with purpose and expectations for social and environmental integration and impact.

After much deliberation, Trustees selected Cazenove as the winner, with its proposal to launch a new, publicly available, multi-asset 'best in sector' ESG fund. The £33.5m mandate will act as seed funding for a new unit trust to be launched in February 2021.

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Climate risk and our investments

Whilst the Foundation is not primarily focused on environmental concerns, Trustees are mindful of the view of a wide range of experts that climate risk is arguably the biggest risk to economies today.

We wish to safeguard the Foundation's capital with regards to both stranded asset risk (meaning, risk to particular sectors that are carbon-intensive) but potentially even more important, climate-related systemic risk or risk arising from general economic damage. Trustees understand that climate-related systemic risk could have a highly negative impact not only on the Foundation's assets but also its core mission and stakeholders through disruption of the financial system, with implications for jobs, incomes and inequality. They therefore seek to do whatever they reasonably can to progress a rapid transition to a low-carbon economy.

Social investment policy

In 2013, Trustees agreed that up to 10% of the investible funds could be invested into instruments to which the Foundation's general charitable objectives and specific programme aims could be applied. The primary aim of social investments is to pursue the Foundation's broad charitable objectives and focused programmatic objectives using financial instruments other than grants. The secondary aim of social investments is to produce a financial return. Trustees are prepared to consider accepting a higher level of risk or a lower level of financial return than the market norm, especially for those social investments that are closely aligned with the Foundation's specific programme aims. For investments that generate broader positive social impact and meet the Foundation's general charitable objectives but without specific alignment with programme aims, Trustees might look for levels of risk and return that are closer to the benchmark for that asset class.

Management and advice

During the year, Bank of Montreal ("BMO") continued to act as investment managers with discretion to manage the Foundation's funds within agreed investment objectives in terms of asset allocation and investment performance. BMO, through its group operations, ensures that all the shareholdings of the Foundation are voted at the general meetings of investee companies in accordance with their established corporate governance guidelines. Foundation staff and Trustees are in active discussion with BMO on the further development of those guidelines. To support Foundation staff and Trustees in their commitment to the responsible use of its assets and as a means of sharing our practice, the Foundation is a member of the Charities Responsible Investment Network.

Peter Jones, an independent investment advisor, continued to provide general investment advice to the Trustees, who instruct BMO to consider reflecting that advice in their management of the Foundation's assets. Trustees are grateful for his continued support of our work.

Wrigley's Solicitors LLP was retained to provide legal advice on direct investment documentation, advice on our general charitable activities and support for HR functions.

Communications and Convening

The Foundation holds a strong belief in the power of communications and convening – of bringing people together and giving a space to the ideas of others - and during the year we sought to keep connected with likeminded individuals and our partners in the sector and to share a variety of voices and views in our communications.

Our annual conference took place in October at the historic venue, Toynbee Hall, London, and was well received by delegates, providing a welcome opportunity to further pursue the theme of how we

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can work together to develop a fair economy. Grant holders, partners and investees had the chance to network, meet the Friends Provident Foundation staff team and Trustees, and to share approaches and ideas. The conference programme included a briefing on our new programme, Developing a Fair Economy, and shone the light on our focus areas of diversity, ownership, and fair transition to a new economic model, illustrated through the lens of our grant holders' work.

At the start of the year, we ran a campaign to recruit new Trustees to the Foundation, successfully communicating an important message that we were particularly sought perspectives that would challenge orthodox views.

In March we began implementation of a new communications plan to support the appointment of a second asset management company. This came to fruition in the ESG Investing Olympics, an event which took place to some acclaim at the Royal Institution, London, shortly before the Covid-19 lockdown began. Five shortlisted companies presented their credentials to a panel and an audience of around 100 delegates, and communications were extended more widely through media coverage and social media.

Shortly after this, the global pandemic hit and, as we took stock, it became clear that the need for a strong digital provision had accelerated. With social media and tech becoming ever essential, the Foundation's Twitter was used to not only to share key messages around a fair economy for all but also to show our solidarity with, and to, the community we serve. We tried to keep our social media 'social', often using the voices of our team to share our content.

We also reviewed our website and took the opportunity to consider whether it worked well for our audiences, and how we might enhance functionality, performance and presentation, in the knowledge that an active and vibrant digital media presence is key to attracting support, building relationships, connecting with likeminded individuals and sharing messages.

During the summer, FT journalist Martin Sandbu, published his book ***The Economics of Belonging*** with the support of the Foundation's increasingly well-regarded Journalist Fellowship programme, offering successful applicants financial and editorial support over one year to produce a body of work that communicates alternative, economically coherent ideas in an engaging way. Although many of the launch events for *The Economics of Belonging* were cancelled, there was nevertheless an impressive line-up of virtual events to an impressively international audience.

As the Foundation's communications year drew to a close, we found ourselves similarly turning to the prospect of virtual events as we considered our own convening options against the continuing backdrop of the pandemic.

Reports published in 2019-20 Publications

- **Time for Action** - Mick McAteer with John Lappin, Professor Robin Jarvis and Imogen Pattison of the Financial Inclusion Centre
- **The Colour of Money**: race and economic inequality – the Runnymede Trust
- **Shortening Supply Chains: Roads to Regional Resilience** – The Soil Association
- **The Annual Report & Accounts 2018-19**

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THE FUTURE – OUR PLANS FOR 2020-21

Our objectives for the next year cascade from our purpose. These corporate objectives are intended to guide our team objectives and ultimately individual objectives.

1. To deepen our outward focus and collaboration to connect more effectively with others in the field to achieve our mission.
2. To support individual staff resilience and productivity to achieve personal and organisational objectives.
3. To develop effective team working approaches across a range of contexts.
4. To support resilience in our stakeholder organisations, including reflecting on the role of our funds, through grants, investments, and contracts.
5. To strengthen the integration of investment in our strategy and wider ways of working.
6. To develop metrics and monitoring methods to track progress towards a fair economy.
7. To ensure our new approaches are developed alongside our on-going climate emergency commitment and are congruent with diversity and equity.

Risk management

The Trustees are responsible for overseeing the effective management of the Foundation and for safeguarding its assets. Risk management is an ongoing activity involving all Trustees and is reviewed by Trustees at least annually. During the year, the Trustees have reviewed the risks facing the Foundation covering governance and management issues, financial, regulatory, legal and operational risks. Mitigating actions have been taken regarding the major risks that have been identified, namely:

Main risk	Likelihood/ Risk appetite	Controls
Fall in investment income due to market conditions and impact on grant activities.	High - take action	The Foundation holds sufficient cash reserves to cover expenditure over a three-month period.
Loss of key staff for an extended period or key staff leave.	Medium - take action	The Foundation has detailed procedures for key functions and ensures staff are trained in a number of business areas.
Foundation reputation damaged by website or publications.	Low - tolerate	The Foundation website is staff controlled and all publications are edited and reviewed in-house.
Actions of an associated organisation which result in bad publicity or affect the Foundation's reputation.	Medium - tolerate	The Foundation assesses all external commitments in terms of governance; we have clear terms and conditions of support in place. It is a standard risk for funders.

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Organisations fail to meet their project objectives.	Medium - tolerate	The Foundation actively manages grants and investments to give them the best chance of success.
Foundation fails to meet its stated objectives.	Medium - tolerate	The Foundation actively manages its own performance and has a dedicated budget for evaluation.
Cash in the bank accounts is insufficient to meet the levels of spending.	Low - take action	The Foundation actively manages its cash requirements and has increased its in-house finance resource.
Prolonged IT infrastructure failure resulting in inaccessible data.	Low – tolerate	Cloud-based systems reduce the impact of such infrastructure failure.
Uncertainty in the investment environment due to Brexit and the Covid-19 pandemic.	Medium - take action	Independent investment advice has been taken. Additional cash funds are being held to ensure that the Foundation can meet its commitments should Brexit or the pandemic have a significant negative effect on the investment environment.
Bank balances exceed sums covered by the Financial Services Compensation Scheme (FSCS).	Medium - tolerate	Foundation cash balances are held in reputable Prudential Regulation Authority (PRA) regulated banks. There is a need to tolerate the risk as monthly payments exceed the FSCS compensation levels.

Each risk identified was assessed in terms of the potential impact and likelihood of occurrence and the Trustees confirm that they believe that, for each of these risks, appropriate controls are in place to mitigate the significant risks to an acceptable degree.

Reserves and going concern

The total charity funds at the year-end of £28.81m (2019: £30.96m) were held in the endowment fund. The capital comprising the Foundation's expendable endowment is the principal source of income to meet the Foundation's objectives and running costs. The Trustees consider that there are no material uncertainties about the Foundation's ability to continue as a going concern.

In April 2016, Trustees took the strategic decision to expend capital from the endowment in pursuit of our mission. In order to ensure there are adequate funds to support a potentially higher level of expenditure, the Foundation adopted a policy to 'draw down' a sum from the endowment each year to match the difference between our projected income and our projected expenditure as set by Trustees in the annual business planning process.

Trustees also recognise that Foundation income from investments can fall. To mitigate this risk, it is the Trustees' intention to hold three months' operating costs as a cash reserve; estimated at £750,000. This is held as part of Foundation funds and will not be expended although Trustees do not consider it necessary to have a separate reserves account.

The reserves policy was last reviewed and approved by the Trustees in September 2020. Trustees will continue to review the level of reserves taking into consideration the cost base of the Foundation.

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Financial review

The Foundation's income is derived from investment performance. Total income for the year ended 30 September 2020 was £574,700 (2019: £815,103), mainly attributable to dividends and interest received from the principal investments – open-ended investment trusts with underlying investments in equities and corporate bonds. The fall in income this year was a result of the Covid-19 pandemic which led to companies reducing or stopping their dividend payments for a time during the year. The total expenditure for the year was £2,874,989 (2019: £3,431,991). Of this, grant commitments amounted to £2,327,488 (2019: £2,940,496) and other expenditure was £547,501 (2019: £491,495). Net expenditure for the year was £2,300,289 (2019: £2,616,888) before investment gains of £144,345 (2019: £1,416,065), leading to net expenditure of £2,155,944 (2019: Net expenditure of £1,200,823).

As per our investment policy, Trustees expect our mainstream portfolio to produce competitive market returns, as well as reflecting our investment beliefs. Regular reviews of performance by the Investment Committee and advice from our Investment Advisor indicates that performance is in line with market expectations.

Remuneration of staff

Trustees have adopted and reviewed the pay policy that is applied to all staff members.

Trustees adjusted the measures against which salaries are reviewed annually to ensure a reasonable reflection of the cost of living. This is now one which reflects a cost-of-living measure weighted equally with average wages.

Reflecting our programme focus on pay transparency and in line with NCVO guidance, the ratio between the highest salary (£86,520) and the median salary (£34,982) in the Foundation is 2.5:1. The ratio of the top salary to the lowest is 3.9:1. These calculations are based on Full Time Equivalent salaries, net of salary sacrifice deductions.

The charity made contributions to an employee's personal pension plan based on a fixed percentage of salary. In September 2014, Trustees established a company pension scheme in which contributions are made to NEST.

Statement of fundraising practice

The Foundation does not engage in public fundraising and does not use professional fundraisers or commercial participators. The Foundation, nevertheless, observes the relevant fundraising regulations and codes. During the year there were no instances of non-compliance with these regulations and codes and the Foundation received no complaints relating to its fundraising practice.

Governance arrangements – how we organise our work

A Board of Trustees, of up to ten individuals who must hold at least two meetings each year, administers and controls the Foundation and has control of its property and funds. Trustees are subject to fixed-term appointments as set out in the Memorandum and Articles of Association dated 1 June 2001. During the year, Trustees have formally met four times.

The Trustees have complied with the duty in Section 17 of The Charities Act 2011 to have due regard to the Charity Commission's published guidance concerning the operation of the Public Benefit requirement under that Act.

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The role of Trustees

An individual induction programme is in place and implemented for new Trustees, covering all relevant aspects of the role and the Foundation. Training opportunities relating to grant-making are also made available to Trustees through the Association of Charitable Foundations Trustee network.

The role of the Trustees includes setting strategic direction and agreeing the financial plan, approving grant-making applications and monitoring the Foundation's grant activities, ensuring that all activities are within its agreed charitable objectives and pursued for the public benefit. Matters reserved for the Trustees are approved by the Trustees and are subject to annual review.

Trustees act on advice and information from regular meetings with the Director and their appointed advisers and from the Foundation's Resources Committee and Investment Committee under terms of reference approved by the Board of Trustees.

Recruitment of Trustees

Trustees are recruited through advertisement in national and local press, through professional networks and the community of organisations we support. They are interviewed by a panel of existing Trustees against a set of advertised criteria and with due regard to the Foundation's commitment to equality of opportunity and fair treatment. We monitor the response to all vacancies in terms of gender, ethnicity and disability. Appointed by the serving Trustees, the recruitment and appointment of new Trustees is fully discussed at meetings of the full Board of Trustees.

Statement of responsibilities of the Trustees

The Trustees (who are also directors of Friends Provident Charitable Foundation for the purposes of company law) are responsible for preparing the report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and,
- each Trustee has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The Trustees have no beneficial interest in the charity.

The report of the Trustees has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

Approved by the Trustees on 9 March 2021 and signed on their behalf by

Stephen Muers, Chair of Trustees

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Opinion

We have audited the financial statements of Friends Provident Charitable Foundation (the 'charitable company') for the year ended 30 September 2020 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including a summary of 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 charitable company's affairs as at 30 September 2020 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
- 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 company 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

- The trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the report of the trustees other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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. In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 the audit:

- The information given in the report of the trustees for the financial year for which the financial statements are prepared is consistent with the financial statements
- The report of the trustees has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the trustees.

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:

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- The trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the trustees' annual report and from the requirement to prepare a strategic report.

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Jonathan Orchard (Senior statutory auditor)

9 March 2021

for and on behalf of Sayer Vincent LLP, Statutory Auditor

Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Friends Provident Charitable Foundation

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 30 September 2020

	Note	2020 Total £	2019 Total £
Income from:			
Investments	2	574,700	815,103
Total income		574,700	815,103
Expenditure on:			
Raising funds		15,155	6,352
Charitable activities			
Support for Resilient Economies		2,859,834	3,425,639
Total expenditure	3	2,874,989	3,431,991
Net expenditure before net gains on investments		(2,300,289)	(2,616,888)
Net gains on investments	11	144,345	1,416,065
Net movement in funds		(2,155,944)	(1,200,823)
Reconciliation of funds:			
Total funds brought forward		30,964,989	32,165,812
Total funds carried forward		28,809,045	30,964,989

All funds are unrestricted in both periods.

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 17 to the financial statements.

Friends Provident Charitable Foundation

Balance sheet

Company no. 04228843

As at 30 September 2020

	Note	£	2020 £	£	2019 £
Fixed assets:					
Tangible assets	10		3,668		3,897
Listed Investments	11		29,001,907		32,507,627
Social Investments	12		2,449,960		2,300,000
			<u>31,455,535</u>		<u>34,811,524</u>
Current assets:					
Debtors	13	113,704		150,263	
Cash at bank and in hand		<u>1,376,465</u>		<u>772,943</u>	
			1,490,169		923,206
Liabilities:					
Creditors: amounts falling due within one year	14	(2,920,045)		(3,022,286)	
Net current liabilities			<u>(1,429,876)</u>		<u>(2,099,080)</u>
Total assets less current liabilities			<u>30,025,659</u>		<u>32,712,444</u>
Creditors: amounts falling due after one year	15		<u>(1,216,614)</u>		<u>(1,747,455)</u>
Total net assets			<u><u>28,809,045</u></u>		<u><u>30,964,989</u></u>
The funds of the charity:	17a				
Unrestricted income funds:					
Designated funds		45,000		–	
General funds		<u>28,764,045</u>		<u>30,964,989</u>	
Total unrestricted funds			<u>28,809,045</u>		<u>30,964,989</u>
Total charity funds			<u><u>28,809,045</u></u>		<u><u>30,964,989</u></u>

Approved by the Board of Trustees on 9 March 2021 and signed on their behalf by:

Stephen Muers
Chair of Trustees

Friends Provident Charitable Foundation

Statement of cash flows

For the year ended 30 September 2020

	Note	2020 £	£	2019 £	£
Cash flows from operating activities					
Net expenditure for the reporting period (as per the statement of financial activities)		(2,155,944)		(1,200,823)	
Depreciation charges		2,976		2,851	
Loss on disposal of fixed assets		164		–	
Gains on investments		(144,345)		(1,416,065)	
Dividends, interest and rent from investments		(574,700)		(815,103)	
(Increase)/Decrease in debtors		36,559		18,895	
Increase/(Decrease) in creditors		(633,082)		141,535	
Net cash used in operating activities		(3,468,372)		(3,268,710)	
Cash flows from investing activities:					
Dividends, interest and rents from investments		574,700		815,103	
Purchase of fixed assets		(2,911)		(579)	
Proceeds from sale of investments		3,659,630		2,814,492	
Purchase of investments		(214,924)		(130,158)	
Conversion of investment to grant funding		50,000		–	
Net cash provided by investing activities		4,066,495		3,498,858	
Change in cash and cash equivalents in the year		598,123		230,148	
Cash and cash equivalents at the beginning of the year		840,201		610,053	
Cash and cash equivalents at the end of the year	a	1,438,324		840,201	

Analysis of cash and cash equivalents and of net debt

	At 1 October 2019 £	Cash flows £	Other non- cash changes £	At 30 September 2020 £
Cash held as part of investment portfolio	67,258	(5,399)		61,859
Cash at bank and in hand	772,943	603,522		1,376,465
a Total cash and cash equivalents	840,201	598,123		1,438,324

1 Accounting policies

a) Statutory information

Friends Provident Charitable Foundation is a charitable company limited by guarantee and is incorporated in the United Kingdom.

The registered office address and principal place of business is Blake House, 18 Blake Street, York, YO1 8QG.

b) Basis of preparation

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) – (Charities SORP FRS 102), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting these financial statements are detailed within the relevant accounting policy below.

c) Public benefit entity

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

d) Going concern

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern.

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. Trustees are aware that there are net current liabilities but this is principally down to timing and the fact that liabilities are recognised in full for the following 12 months but there is no corresponding income recognised. In addition, the Foundation has significant resources available in fixed asset investments which can be drawn down as required to fund working capital.

e) Income

Income 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 that the amount can be measured reliably.

f) Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

1 Accounting policies (continued)

g) Fund accounting

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

Endowment funds represent the investment assets derived from the donation of £20 million from Friends Provident plc in 2004. The endowment is expendable at the discretion of the trustees.

h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds relate to the costs incurred by the charity in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose
- Expenditure on charitable activities includes the costs of grant making and associated activities undertaken to further the purposes of the charity and their associated support costs
- Other expenditure represents those items not falling into any other heading

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

i) Grants payable

Grants payable are made to third parties in furtherance of the charity's objects. Single or multi-year grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and that any condition attaching to the grant is outside of the control of the charity.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

j) Allocation of support costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which are an estimate, based on staff time, of the amount attributable to each activity.

Where information about the aims, objectives and projects of the charity is provided to potential beneficiaries, the costs associated with this publicity are allocated to charitable expenditure.

Support and governance costs are allocated in full to charitable activities – Support for Resilient Economies projects.

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

1 Accounting policies (continued)

k) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

l) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

- Computer equipment 4 years

m) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities. The charity does not acquire put options, derivatives or other complex financial instruments.

n) Social Investments

Social investments are valued at their fair value. Where fair value is not practicable, social investments are recognised at cost less impairment.

o) 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.

p) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

q) Creditors and provisions

Creditors and provisions 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 and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

1 Accounting policies (continued)

r) 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 with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

s) Pensions

The Foundation operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Foundation in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the Foundation to the fund. The Foundation has no liability under the scheme other than for the payment of those contributions.

2 Income from investments

	2020 Total £	2019 Total £
Gross dividends	574,343	807,079
Income from social investments	–	7,117
Bank interest	357	907
	<u>574,700</u>	<u>815,103</u>

All income from investments is unrestricted.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2020

3a Analysis of expenditure (current year)

	<u>Charitable activities</u>					
	Raising funds £	Support for Resilient Economies projects £	Governance costs £	Support costs £	2020 Total £	2019 Total £
Investment manager's fees	2,563	–	–	–	2,563	5,020
Investment advice & other costs	12,592	–	–	–	12,592	1,332
Grant commitments	–	2,327,488	–	–	2,327,488	2,940,496
Staff costs (Note 6)	–	–	41,918	237,538	279,456	270,903
Staff training, expenses & other related costs	–	–	–	26,533	26,533	49,286
Grant advisory group, assessors & grantee support	–	–	–	5,650	5,650	12,344
Performance evaluation	–	–	–	1,000	1,000	–
Communication, dissemination & website costs	–	–	–	73,839	73,839	34,299
Overhead costs	–	–	–	61,451	61,451	59,944
Investment engagement fees	–	–	–	37,615	37,615	23,023
Legal & professional fees	–	–	–	28,879	28,879	13,340
Auditor's remuneration	–	–	9,056	–	9,056	10,181
Trustee meetings & expenses	–	–	8,867	–	8,867	11,823
	15,155	2,327,488	59,841	472,505	2,874,989	3,431,991
Support costs	–	472,505	–	(472,505)	–	–
Governance costs	–	59,841	(59,841)	–	–	–
Total expenditure 2020	15,155	2,859,834	–	–	2,874,989	
Total expenditure 2019	6,352	3,425,639	–	–		3,431,991

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2020

3b Analysis of expenditure (prior year)

	<u>Charitable activities</u>				
	Raising funds £	Support for Resilient Economies projects £	Governance costs £	Support costs £	2019 Total £
Investment manager's fees	5,020	–	–	–	5,020
Investment advice & other costs	1,332	–	–	–	1,332
Grant commitments	–	2,940,496	–	–	2,940,496
Staff costs (Note 6)	–	–	40,636	230,267	270,903
Staff training, expenses & other related costs	–	–	–	49,286	49,286
Grant advisory group, assessors & grantee support	–	–	–	12,344	12,344
Performance evaluation	–	–	–	–	–
Communication, dissemination & website costs	–	–	–	34,299	34,299
Overhead costs	–	–	–	59,944	59,944
Investment engagement fees	–	–	–	23,023	23,023
Legal & professional fees	–	–	–	13,340	13,340
Auditor's remuneration	–	–	10,181	–	10,181
Trustee meetings & expenses	–	–	11,823	–	11,823
	<u>6,352</u>	<u>2,940,496</u>	<u>62,640</u>	<u>422,503</u>	<u>3,431,991</u>
Support costs	–	422,503	–	(422,503)	–
Governance costs	–	62,640	(62,640)	–	–
Total expenditure 2019	<u><u>6,352</u></u>	<u><u>3,425,639</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>3,431,991</u></u>

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2020

4 Grant making (current year)

	2020 £	2019 £
Grants payable at the start of the year	4,735,395	4,472,913
Grant commitments made in the year	2,293,839	2,992,030
Grants (written back) or adjusted	33,649	(51,534)
Net grants committed in the year	2,327,488	2,940,496
Grants paid	(3,064,581)	(2,678,014)
Grant payments converted to social investment	100,000	-
Grants payable at the end of the year	4,098,302	4,735,395
Creditors: amounts due within one year	2,881,688	2,987,940
Creditors: amounts due in over one year	1,216,614	1,747,455
Total creditors at the end of the year	4,098,302	4,735,395

Details of the grant commitments made in the year can be found in the Trustees' Annual Report.

5 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2020 £	2019 £
Depreciation	2,976	2,851
Operating lease rentals payable:		
Property	19,200	19,200
Auditor's remuneration (excluding VAT):		
Audit	7,500	7,400

6 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2020 £	2019 £
Salaries and wages	221,103	216,328
Social security costs	17,628	17,710
Employer's contribution to defined contribution pension schemes	40,127	35,673
Other forms of employee benefits	598	1,192
	279,456	270,903

Notes to the financial statements

For the year ended 30 September 2020

6 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel (continued)

The following number of employees received employee benefits (excluding employer pension costs and employer's national insurance) during the year between:

	2020 No.	2019 No.
£60,000 – £69,999	<u>1</u>	<u>1</u>

The total employee benefits (including pension contributions and employer's national insurance) of the key management personnel were £227,775 (2019: £221,439).

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2019: £nil). No charity trustee received payment for professional or other services supplied to the charity (2019: £nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totalling £1,232 (2019: £3,194) incurred by 10 (2019: 9) members relating to attendance at meetings of the trustees.

7 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 7.8 (2019: 7.3). The full time equivalent number of staff was 5.8 (2019: 5.5).

8 Related party transactions

Due to the nature of the Foundation's operations and the composition of the trustee board and staff and their charitable interests, it is possible that the Foundation will make a donation to a charity in which a trustee or staff member may have a governance interest. In recognition of this possibility, trustees have developed a policy of disclosure to ensure there is no conflict of interest and that such a donation is made at arm's length.

During this year a grant of £80,000 was made to Fairshare Educational Foundation (Share Action) to develop a legislative case for responsible investment in the run up to the COP26 event. Paul Dickinson is a trustee of both organisations and became Chair of Share Action in November 2018.

Two new trustees appointed in April 2020 are also trustees of organisations receiving funding from the Foundation. Ann Don Bosco is a trustee at Economy and Priya Lukka is a trustee at The Equality Trust. (The current funding was awarded in September 2019 and March 2018 respectively.)

The following related party transactions were identified from previous years where the grants have still been live during this year:

- Fairshare Educational Foundation (Share Action): A grant of £180,000 was made in June 2018 to cover core funding. Paul Dickinson is a trustee of both organisations and became Chair of Share Action in November 2018.
- A grant of £75,000 was made to Influence Map in March 2019. Paul Dickinson acts as an unpaid advisor to this organisation.
- University of Birmingham, Centre on Household Assets and Savings Management (CHASM): A grant of £50,000 was awarded in March 2018 for the project 'Monitoring Financial inclusion 2018–2022'. Joanna Elson has since become Chair of CHASM's Advisory Panel.

The individuals mentioned above did not take part in the funding/investment decisions involving their related parties.

There are no donations from related parties (2019: None) which are outside the normal course of business and no restricted donations from related parties (2019: None).

9 Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

Notes to the financial statements

For the year ended 30 September 2020

10 Tangible fixed assets

	Computer equipment £	Total £
Cost		
At the start of the year	11,405	11,405
Additions in year	2,911	2,911
Disposals in year	(1,306)	(1,306)
At the end of the year	13,010	13,010
Depreciation		
At the start of the year	7,508	7,508
Charge for the year	2,976	2,976
Eliminated on disposal	(1,142)	(1,142)
At the end of the year	9,342	9,342
Net book value At the end of the year	3,668	3,668
At the start of the year	3,897	3,897

All of the above assets are used for charitable purposes.

11 Listed investments

	2020 £	2019 £
Fair value at the start of the year	32,440,369	33,808,638
Additions at cost	14,964	30,158
Disposal proceeds	(3,659,630)	(2,804,492)
Net gain on change in fair value	144,345	1,406,065
	28,940,048	32,440,369
Cash held by investment broker pending reinvestment	61,859	67,258
Fair value at the end of the year	29,001,907	32,507,627
Investments comprise:		
	2020 £	2019 £
UK Common investment funds	28,897,376	32,397,137
Shares listed on the London Stock Exchange	42,672	43,232
Cash	61,859	67,258
	29,001,907	32,507,627

12 Social investments

	2020 £	2019 £
Value at the start of the year	2,300,000	2,200,000
Additions at cost	199,960	100,000
Impairment reversal/(charge)	–	10,000
Disposal proceeds	–	(10,000)
Conversion of Energy Gardens investment to grant funding	(50,000)	–
Value at the end of the year	2,449,960	2,300,000

Notes to the financial statements

For the year ended 30 September 2020

13 Debtors

	2020 £	2019 £
Other debtors	1,500	1,500
Prepayments	5,666	6,080
Accrued income	106,538	142,683
	113,704	150,263

14 Creditors: amounts falling due within one year

	2020 £	2019 £
Grants payable	2,881,688	2,987,940
Other creditors	168	3,571
Accruals	38,189	30,775
	2,920,045	3,022,286

15 Creditors: amounts falling due after one year

	2020 £	2019 £
Grants payable – within 1 to 5 years	1,216,614	1,747,455
	1,216,614	1,747,455

16a Analysis of net assets between funds (current year)

	General unrestricted £	Designated £	Total funds £
Tangible fixed assets	3,668	–	3,668
Investments	31,451,867	–	31,451,867
Net current liabilities	(1,474,876)	45,000	(1,429,876)
Long term liabilities	(1,216,614)	–	(1,216,614)
Net assets at 30 September 2020	28,764,045	45,000	28,809,045

16b Analysis of net assets between funds (prior year)

	General unrestricted £	Designated £	Total funds £
Tangible fixed assets	3,897	–	3,897
Investments	34,807,627	–	34,807,627
Net current assets	(2,099,080)	–	(2,099,080)
Long term liabilities	(1,747,455)	–	(1,747,455)
Net assets at 30 September 2019	30,964,989	–	30,964,989

Notes to the financial statements

For the year ended 30 September 2020

17a Movements in funds (current year)

	At 1 October 2019 £	Income & gains £	Expenditure & losses £	Transfers £	At 30 September 2020 £
Unrestricted funds:					
Designated funds:					
Index of Foundation Diversity, Transparency and Accountability	-	-	-	45,000	45,000
Total designated funds	-	-	-	45,000	45,000
General funds	30,964,989	719,045	(2,874,989)	(45,000)	28,764,045
Total funds	30,964,989	719,045	(2,874,989)	-	28,809,045

All funds held during both the current and prior years were unrestricted funds. The narrative to explain the purpose of each designated fund is given at the foot of the note below.

17b Movements in funds (prior year)

	At 1 October 2018 £	Income & gains £	Expenditure & losses £	Transfers £	At 30 September 2019 £
Unrestricted funds:					
Designated funds:					
Ideas Development Fund	20,000	-	-	(20,000)	-
Total designated funds	20,000	-	-	(20,000)	-
General funds	32,145,812	2,231,168	(3,431,991)	20,000	30,964,989
Total funds	32,165,812	2,231,168	(3,431,991)	-	30,964,989

Purposes of designated funds

Index of Foundation Diversity, Transparency and Accountability: The aim is to create an index to assess and report on how independent trusts and foundations in the UK compare to each other in relation to good governance practice and transparency. Friends Provident Foundation will contribute to this and coordinate a group of other foundations who will also contribute funding and expertise to shape the index.

Ideas Development Fund: This was a designated fund from which to commission research to develop programme ideas proposed by trustees at their Away Day in 2016. Four projects were funded during 2018–19 from the following organisations: Perspectiva, the Runnymede Trust, Sustain and the University of Birmingham. The four grant commitments amounted to £16,980.

Notes to the financial statements

For the year ended 30 September 2020

18 Operating lease commitments payable as a lessee

The charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods

	Property 2020 £	2019 £
Less than one year	19,200	17,600
One to five years	17,600	-
Over five years	-	-
	36,800	17,600

19 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.