

**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

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### **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?

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## **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

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## 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



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## 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.

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### 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.

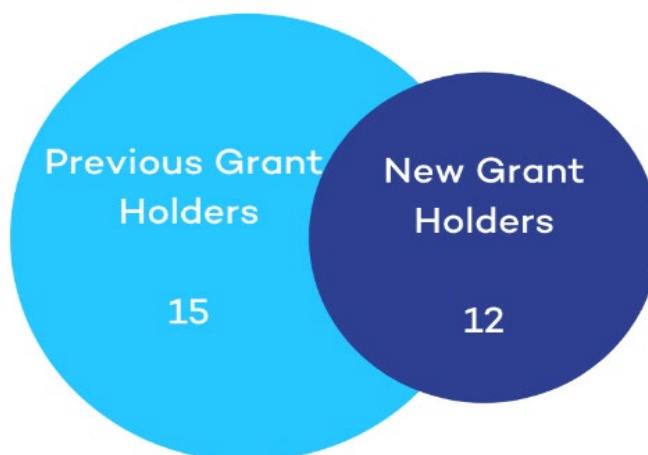
### How we worked through our grant giving

#### New Grants in 2019/2020



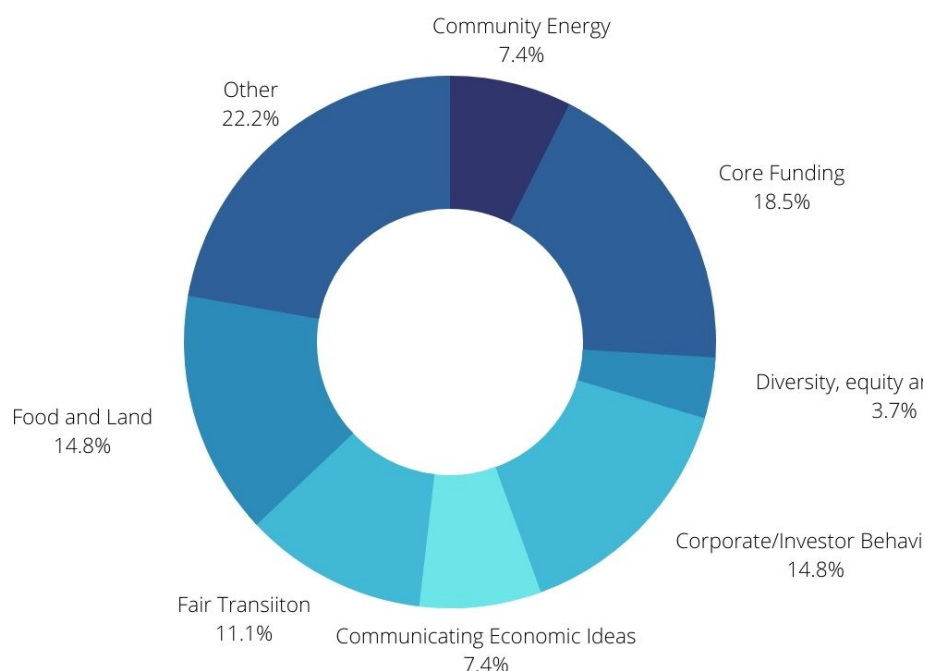
27 new grants were made during over year, resulting in commitments worth just under £2.3m. 39 stage two applications were considered in all, with a value of just over £4m.

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.



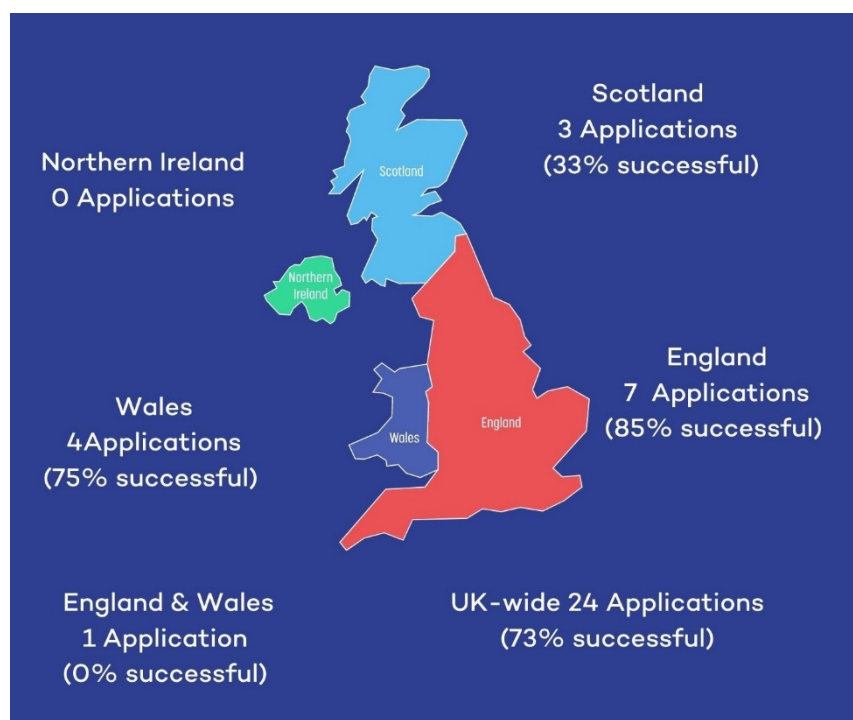
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The themes covered by these new grants were communicating economic ideas; investor/corporate behaviour; community energy; local development; a fair transition to a low carbon economy; tax; community assets and convening, and diversity, equity and inclusion. 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%).

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## REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

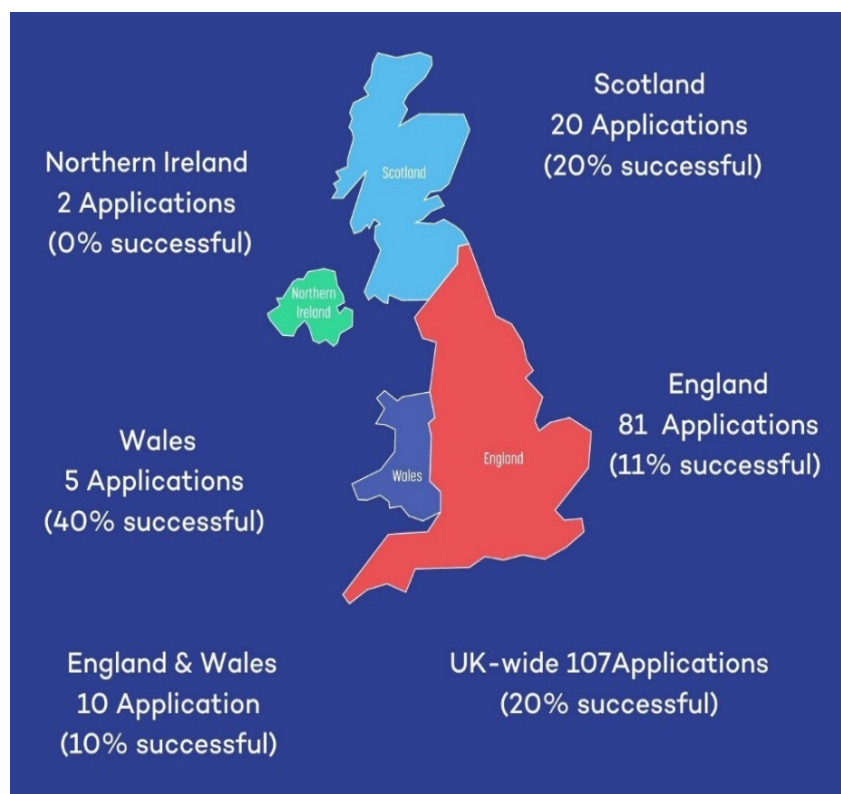
### Applications Received 2019/2020

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

<b>Finance Innovation Lab</b>  <b>£100,000</b> Repeat funding	<b>Centre for Local Economic Strategies (CLES)</b>  <b>£100,000</b> Repeat funding	<b>Public Interest Research Company (PIRC)</b>  <b>£10,000</b> New funding
<b>Fair By Design (Barrow Cadbury Trust)</b>  <b>£60,000</b> New funding	<b>New Economics Foundation (NEF)</b>  <b>£200,000</b> Repeat funding	<b>Institute of Welsh Affairs (IWA)</b>  <b>£100,000</b> 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

# FRIENDS PROVIDENT CHARITABLE FOUNDATION

## REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

			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 FIT<sup>1</sup>. DSO<sup>2</sup>s, 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.

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<sup>1</sup> Feed In Tariff – a payment made to energy users for renewable energy they generate. This scheme was closed to new entrants in March 2019.

<sup>2</sup> DSOs – Distribution System Operator.

# FRIENDS PROVIDENT CHARITABLE FOUNDATION

## REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

- 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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## **REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020**

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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## **REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020**

### **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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## REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

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**

# FRIENDS PROVIDENT CHARITABLE FOUNDATION

## REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

### 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.

## FRIENDS PROVIDENT CHARITABLE FOUNDATION

### REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020

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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## **REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020**

### **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.

# **FRIENDS PROVIDENT CHARITABLE FOUNDATION**

## **REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2020**

### **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:

# **FRIENDS PROVIDENT CHARITABLE FOUNDATION**

## **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 £
<b>Income from:</b>			
Investments	2	574,700	815,103
<b>Total income</b>		<b>574,700</b>	<b>815,103</b>
<b>Expenditure on:</b>			
Raising funds		15,155	6,352
Charitable activities			
Support for Resilient Economies		2,859,834	3,425,639
<b>Total expenditure</b>	3	<b>2,874,989</b>	<b>3,431,991</b>
<b>Net expenditure before net gains on investments</b>		<b>(2,300,289)</b>	<b>(2,616,888)</b>
Net gains on investments	11	144,345	1,416,065
<b>Net movement in funds</b>		<b>(2,155,944)</b>	<b>(1,200,823)</b>
<b>Reconciliation of funds:</b>			
Total funds brought forward		30,964,989	32,165,812
<b>Total funds carried forward</b>		<b>28,809,045</b>	<b>30,964,989</b>

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 £
<b>Fixed assets:</b>					
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>
<b>Current assets:</b>					
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
<b>Liabilities:</b>					
Creditors: amounts falling due within one year	14	(2,920,045)		(3,022,286)	
<b>Net current liabilities</b>			<u>(1,429,876)</u>		<u>(2,099,080)</u>
<b>Total assets less current liabilities</b>			<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>
<b>Total net assets</b>			<u><u>28,809,045</u></u>		<u><u>30,964,989</u></u>
<b>The funds of the charity:</b>	17a				
Unrestricted income funds:					
Designated funds		45,000		–	
General funds		<u>28,764,045</u>		<u>30,964,989</u>	
<b>Total unrestricted funds</b>			<u>28,809,045</u>		<u>30,964,989</u>
<b>Total charity funds</b>			<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 £	£
<b>Cash flows from operating activities</b>					
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	
<b>Net cash used in operating activities</b>		<b>(3,468,372)</b>		<b>(3,268,710)</b>	
<b>Cash flows from investing activities:</b>					
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		–	
<b>Net cash provided by investing activities</b>		<b>4,066,495</b>		<b>3,498,858</b>	
<b>Change in cash and cash equivalents in the year</b>		<b>598,123</b>		<b>230,148</b>	
Cash and cash equivalents at the beginning of the year		840,201		610,053	
<b>Cash and cash equivalents at the end of the year</b>	a	<b>1,438,324</b>		<b>840,201</b>	

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
<b>a Total cash and cash equivalents</b>	<b>840,201</b>	<b>598,123</b>		<b>1,438,324</b>

**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)	–	–	–
<b>Total expenditure 2020</b>	<b>15,155</b>	<b>2,859,834</b>	<b>–</b>	<b>–</b>	<b>2,874,989</b>	
Total expenditure 2019	6,352	3,425,639	–	–		<b>3,431,991</b>

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)	–	–
<b>Total expenditure 2019</b>	<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>

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 £
<b>Cost</b>		
At the start of the year	11,405	<b>11,405</b>
Additions in year	2,911	<b>2,911</b>
Disposals in year	(1,306)	<b>(1,306)</b>
At the end of the year	13,010	<b>13,010</b>
<b>Depreciation</b>		
At the start of the year	7,508	<b>7,508</b>
Charge for the year	2,976	<b>2,976</b>
Eliminated on disposal	(1,142)	<b>(1,142)</b>
At the end of the year	9,342	<b>9,342</b>
<b>Net book value At the end of the year</b>	<b>3,668</b>	<b>3,668</b>
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	<b>32,440,369</b>	33,808,638
Additions at cost	<b>14,964</b>	30,158
Disposal proceeds	<b>(3,659,630)</b>	(2,804,492)
Net gain on change in fair value	<b>144,345</b>	1,406,065
	<b>28,940,048</b>	32,440,369
Cash held by investment broker pending reinvestment	<b>61,859</b>	67,258
Fair value at the end of the year	<b>29,001,907</b>	32,507,627
Investments comprise:		
	2020 £	2019 £
UK Common investment funds	<b>28,897,376</b>	32,397,137
Shares listed on the London Stock Exchange	<b>42,672</b>	43,232
Cash	<b>61,859</b>	67,258
	<b>29,001,907</b>	32,507,627

**12 Social investments**

	2020 £	2019 £
Value at the start of the year	<b>2,300,000</b>	2,200,000
Additions at cost	<b>199,960</b>	100,000
Impairment reversal/(charge)	–	10,000
Disposal proceeds	–	(10,000)
Conversion of Energy Gardens investment to grant funding	<b>(50,000)</b>	–
Value at the end of the year	<b>2,449,960</b>	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
	<b>113,704</b>	<b>150,263</b>

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
	<b>2,920,045</b>	<b>3,022,286</b>

15 Creditors: amounts falling due after one year

	2020 £	2019 £
Grants payable – within 1 to 5 years	1,216,614	1,747,455
	<b>1,216,614</b>	<b>1,747,455</b>

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)
<b>Net assets at 30 September 2020</b>	<b>28,764,045</b>	<b>45,000</b>	<b>28,809,045</b>

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)
<b>Net assets at 30 September 2019</b>	<b>30,964,989</b>	<b>–</b>	<b>30,964,989</b>

## 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 £
<b>Unrestricted funds:</b>					
Designated funds:					
Index of Foundation Diversity, Transparency and Accountability	-	-	-	45,000	<b>45,000</b>
Total designated funds	-	-	-	45,000	<b>45,000</b>
<b>General funds</b>	30,964,989	719,045	(2,874,989)	(45,000)	<b>28,764,045</b>
<b>Total funds</b>	30,964,989	719,045	(2,874,989)	-	<b>28,809,045</b>

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 £
<b>Unrestricted funds:</b>					
Designated funds:					
Ideas Development Fund	20,000	-	-	(20,000)	-
Total designated funds	20,000	-	-	(20,000)	-
<b>General funds</b>	32,145,812	2,231,168	(3,431,991)	20,000	<b>30,964,989</b>
<b>Total funds</b>	32,165,812	2,231,168	(3,431,991)	-	<b>30,964,989</b>

## 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	–	–
	<b>36,800</b>	<b>17,600</b>

**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.