SETTING THE BAR HIGHER

Danielle Walker Palmour explains how a determination to use all of Friends Provident Foundation's resources in pursuit of its mission means that it no longer sees itself as a grant-maker.

One of the great privileges of being an independent funder is that we work in organisations defined and driven by mission. As professionals and trustees, we are able to devote our personal and organisational resources – funds, networks, energy, expertise and attention – to having a discernible impact on our world. So why do so many of us define ourselves by our marginal spend? This is the question that has led my trust to completely change our management, governance and, most importantly, our thinking.

Friends Provident Foundation is no different from many independent trusts and foundations – we are an independent charity endowed by Friends Provident plc in 2004 from unclaimed assets. As Friends Provident no longer exists and we have a range of independent experts as trustees, we ceased to be a corporate foundation and function as many other middle-sized endowed UK trusts do – a small staff team, dedicated trustees, investment managers, with the usual array of philanthropic tools.

Our mission relates to considering the moral, ethical and social dimensions of financial and monetary systems – what we call the Right Use of Money. Specifically, our current programme relates to how the economy might be structured to distribute economic benefits more equitably, addressing inequality, balancing current needs against longer-term considerations such as climate change and living within environmental boundaries.

Like so many trusts, our focus reflects our heritage arising from our donor company being the creator of one of the first ethical funds in the UK.

Our approach also reflects our tradition of financial innovation – we have had a social investment policy for over 11 years; our first investment is now nearly 10 years old. The rest of our funds are invested in ethical bonds and equity funds, both UK and global – the success of which is reflected in the growth of our endowed funds from £20 million to £33 million over the past decade.

So, like so many independent modern trusts and foundations, we had three prongs to our activity:

- Grants in pursuit of our programmes – £1 million per annum
- Social investments (up to 10% of endowed funds) – £3 million
- Mainstream investments, in solid negatively screened ethical funds – £33 million.

However, we noticed that our governance and management time was split rather differently. We estimated that:

- Grant-making took up to 90% of our time, attention and effort
- Social investment: direct investment in social enterprises and funds occupied around 7%
- Investments amounted to only about 3% of our time, even given good fiduciary practices of scrutiny by sub-committee, twice-yearly meeting with managers, and the retention of an adviser to review asset allocation and market conditions.

CHANGING OUR THINKING

Trustees felt that this balance was not the right one if we were truly going to devote all our resources – including our time, our money and our attention – to the pursuit of our mission.

So, we did three things:

- We changed the narrative: we moved our attention from a focus on our marginal spend (grants) to our whole capital base and this is now how we evaluate our impact – we are a capitalised charity not a grant-maker. This is a much more challenging position.
- We decided to become an engaged investor and put some real management time into engagement with companies in which we have a stake, and into a new and more active relationship with those who manage our money for us. To do this we recruited an investment engagement manager to really look at how our mainstream investments work or don't work in relation to our mission.
- We are building links between functions so that grants, social investments and mainstream investments are mutually reinforcing: testing what we are hearing about mainstream markets with how it plays out on the ground with our grant-holders and investees.

TRANSFORMATIVE EFFECT

These are relatively small changes – we can all do them – but their effect has been transformative. We are a new creature – we have new networks, allies, peers and concerns, and will no doubt have setbacks. The key lesson for us is that by shifting our narrative, we have redefined our perspective and the meaning of impact. There is a growing number of foundations embracing this thinking and all in different ways. We challenge all mission-driven foundations to redefine what it means to use all your resources in pursuit of mission.

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MORE INFORMATION AND KEY NETWORKS

Social Impact Investors Group (SIIG) – **www.groupspaces.com**

Charities Responsible Investment Network (CRIN) – **www.shareaction.org/crin**

Get Informed – **www.bigsocietycapital.com/get-informed**

Partners for a New Economy – **www.p4ne.org**