Fair economy. Better world.

# Annual report and financial statements

For the year ended 30 September 2021
Friends Provident Charitable Foundation
(A company limited by guarantee)

Charity No: 1087053
Company No: 4228843

Friends Provident Foundation

Friendsprovidentfoundation.org

**FRIENDS PROVIDENT CHARITABLE FOUNDATION**

**REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021**

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**REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2021**

| | |
|---|---|
| Charity Name: | Friends Provident Charitable Foundation |
| Other names by which the charity is known: | Friends Provident Foundation |
| Charity Number: | 1087053 (England & Wales) |
| Company Number | 04228843 (England & Wales) |
| **REGISTERED ADDRESS** | Blake House<br>18 Blake Street<br>York<br>YO1 8QG |

**BOARD OF TRUSTEES**



**KEY MANAGEMENT PERSONNEL**

| | |
|---|---|
| Foundation Director: | Danielle Walker Palmour |

| | |
|---|---|
| Investment Engagement Manager: | Colin Baines |
| Grants Manager | Abigail Gibson |
| Finance and Operations Manager | Kate Kendall |
| Communications Manager | Jake Furby (from 29 March 2021) |

**Reference and Administration Information**

**PRINCIPAL ADVISORS**

| | | |
|---|---|---|
| Principal Bankers: | CAF BANK Limited<br>PO Box 289<br>West Malling<br>Kent<br>ME19 4TA | Triodos Bank NV<br>Deanery Road<br>Bristol<br>BS1 5AS |
| Auditor: | Buzzacott LLP<br>130 Wood Street<br>London<br>EC2V 6DL | |
| Investment Advisor: | Peter Jones<br>Independent Advisor | |
| Solicitors: | Wrigley's Solicitors LLP<br>19 Cookridge Street<br>Leeds<br>LS2 3AG | |
| Investment Managers: | BMO Asset Management<br>55 Baker Street<br>London<br>W1U 7EU | Cazenove Capital<br>1 London Wall Place<br>London<br>EC2Y 5AU |

# CHAIR'S INTRODUCTION

This is my first Annual Report as Chair of the Foundation, since filling Hetan Shah's very large shoes in January 2021. When I agreed to take over as Chair, I had no idea that I would be taking over at a time when the Foundation and all its partners were still grappling with a global pandemic. Covid-19 has tested all of us: individually, as organisations and as part of a movement. However, it has also shone a bright harsh light on the failings and unfairness of the current economic system, so our mission is clearly as important and urgent as ever.

While our mission has remained the same, we have been adapting how we deliver it in several ways. Like most other organisations over the last two years, we have been shifting more of our efforts to engage with partners online. We reviewed our approach to digital communications and implemented some improvements and were involved in more online events. We had a first online annual conference, themed around the "Four Ds" we want to see as directions in the future economy – decarbonise, democratise, decentralise and diversify – with fascinating panels on all those themes.

We have also adapted to seize the opportunity created by an increasing number of investors wanting to act in line with their values and expect higher standards from both the investment management industry and the companies they ultimately invest in. Building on the success of last year's "ESG investing olympics" we were delighted to be able to support the coalition that led to a ground-breaking resolution at HSBC's Annual General Meeting committing the bank to a clear net zero pathway.

Another thing we have adapted and developed this year is our approach to learning. Part of the Friends Provident model is to fund new and often risky initiatives, which may take some time to come to fruition. Such an approach only works in the long term if we learn from what we have tried, build on that and share the learning with others. We are pleased to be putting in place a new approach to make improved learning a reality.

Like many other funders we have been reflecting on how we may need to change the way we work if we are serious about genuine racial and gender equity and addressing the deep-seated problems caused by past injustices. We are only at the beginning of understanding what we should do here. Staff and trustees alike have found the process of reflecting on this issue both powerful and sometimes humbling. One new grant we have made in this broad area is to Decolonising Economics, who are a collective working to build a solidarity economy movement that is rooted in racial justice principles, working alongside a community of other organisations.

While continuing to support many organisations who have received grants from us in the past, through both core and project funding, we have welcomed other new grantees. One example is Wessex Community Assets, who are aiming to develop a model for locally rooted manufacturing and the construction of affordable housing, linked to regenerative land use.

Finally, in talking about how the Foundation has changed and adapted I should mention changes in the staff team. Nicola Putnam left the Foundation after a successful stint as our Communications Manager and we welcomed Jake Furby as her replacement, and our office manager Caroline Watson has been on maternity leave. The whole team, staff and trustees, are looking forward to 2021-22 hoping that there will be no more lockdowns and other distractions from working with our partners to start to change the economic system for the better.

Stephen Muers
October 2021

# OUR PURPOSE

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

Since 2004, we've pioneered the creation of a fair economy for a better world. Already, we've helped improve access to financial services for people who were once excluded and supported the development of resilient economic communities across the UK.

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

Tomorrow, we'll continue to fund more new thinking, connect new ideas, invest our capital in line with our aims and values and create better systems so that, in the future, the economy will serve both people and planet.

For more information go to our website.

# OUR GOALS IN 2020-21

Due to reduced capacity during the Covid-19 pandemic, this year we changed the way we set and managed our goals. We decided to pose some questions to explore, rather than setting indicators, milestones and timescales. Our questions and reflections were:

- **Can we deepen our outward focus and collaboration to connect more effectively with others in the field to achieve our mission?**

Reflections: We achieved the following:

- We hosted several webinars and online conferences this year, developing new skills and confidence within the team.
- We reviewed our communications and social media strategies to deepen engagement by key audiences.
- We created and distributed an animation on economics education.
- We established social media profiles on Facebook and LinkedIn.

- **How can we support individual staff resilience and productivity to achieve personal and organisational objectives**?

Reflections: We reviewed and overhauled our HR support with a view to obtaining both expertise and wellbeing support, with new services obtained. Our team expanded and we inducted two new staff members. Overall – despite change and the pandemic – our metrics we use to monitor staff morale remained high.

- **Can we develop effective team-working approaches across a range of contexts?**

Reflections: The staff team considered key office functions and operational minimum standards required for the Foundation. Weekly online team meetings were a lifeline throughout the year and enabled the staff team to build on strong working relations. A staff and trustee Away Day was held in person in London which enabled social time as well as intensive working on strategic issues. A return to the office for all staff has yet to be established.

- **How can we support resilience in our stakeholder organisations, including reflecting on the role of our funds, though grants, investments and contracts?**

Reflections: The grants team enabled the continuation of good communication with organisations. A specific event, Core Connect, in May 2021, engaged core funded organisations in some key strategic issues facing the Foundation and the sector. A grant newsletter was sent out in June 2021.

- **How can we strengthen the integration of investment in our strategy and wider ways of working?**

Reflections: A state of the sector report was completed and launched in January 2021. This year has seen the growth of the profile of our investment engagement and the increase of the profile of staff and the Foundation in this field in the media and the sector. The investment dimension has been included in a refreshed Theory of Change and the development of our diversity and equity work. The Away Day discussions pointed to a larger role for investment in how we expect to have impact in the future.

- **Can we develop metrics and monitoring methods to track progress towards a fair economy?**

Reflections: This objective became subsumed in the effort to develop and revise our Theory of Change. The first draft of the Theory of Change was considered by trustees in September 2021.

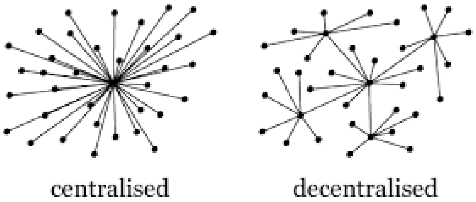
- **Can we develop new approaches to our operations and work in all areas, alongside our on-going climate emergency commitment, and are these congruent with diversity and equity?**

Reflections: Trustees and staff created an Equity and Social Justice Working Group in June 2021. The working group will take actions and be forward thinking. Trustees reaffirmed their commitment to this work at their Away Day.

# INTRODUCING THE 4D ECONOMY

Our work is based on the 4D economy. We found thinking about the dimensions of a more sustainable and equitable economy in these terms a helpful framing for the work we did and supported this year.

- ***Decarbonised*** – We must decarbonise the economy to tackle climate change, keep global heating below 1.5 degrees Celsius and ensure a planet that is habitable for future generations. The transition must be fair and equitable.




- ***Decentralised*** – A fair and sustainable economy is a decentralised economy – one where people can create and retain value locally and focus on well-being for their community.

- ***Democratised*** - A democratised economy is one where communities and workers have power, ownership and control of the assets and businesses that sit at the heart of their economies.


- ***Diversified*** - We cannot create a better economy without addressing the social and economic injustices within our society. A fair economy needs to dismantle the structural inequalities and systems of oppression and privilege that underpin our economic systems and institutions and build economic systems and institutions founded on principles of equity, solidarity and social justice

These D's are interwoven and cannot stand in isolation. We believe that together they can help us to fulfil our vision of a 'fair economy, better world'.

Throughout this annual report we have highlighted how our activities have contributed to a 4D economy. Examples include:

| Decarbonised | Decentralised | Democratised | Diversified |
|---|---|---|---|
| *Investment engagement -* We offered advice to energy provider Eon that fed into its just transition policy, covering 'consumers and communities' and 'people strategy and future of work'. | *Grants – Systems Change* Funding for Community Energy England to increase community energy's contribution to a fairer economy. | *Grants – Local economies* We funded Community Action Groups Oxfordshire, a consortium of stakeholders with a vision to rebuild a more inclusive, democratic and localised economy in Oxford. | *Operations -* Trustees and staff established an Equity and Social Justice Working Group to address how we work, think and invest to act on structural inequalities. |

## ACHIEVING THE 4D ECONOMY THROUGH OUR GRANT-GIVING 2020/21

**Applications**

The Foundation has a two-stage application process

1. Stage 1: A two-page concept note
2. Stage 2: A full application with full details

### STAGE ONE APPLICATIONS

| | 2021 | 2020 |
|---|---|---|
| Number of Applications | 157 | 225 |
| Value (£) | £ 14.5 million | £28.0 million |
| Average Success Rate | 9% | 10% |

*Table 1 - A comparison of 2021 to 2020 covering stage 1 outlines, their value and the average success rate*

The geographic distribution for stage one applications is illustrated in Figure 1.

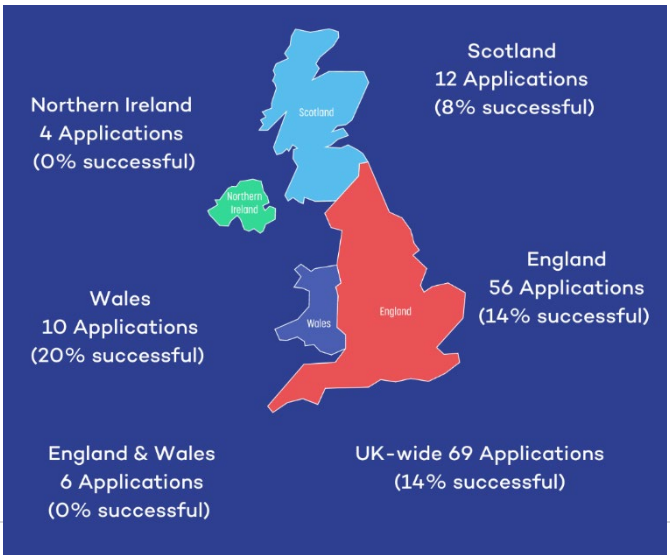



*Figure 1*

## STAGE TWO APPLICATIONS

| | 2021 | 2020 |
|---|---|---|
| Number of outlines | 38 | 37 |
| Number granted | 25 | 27 |
| Value (£) | £ 2.5 million | £2.3 million |

*Table 2 – A comparison of 2021 to 2020 covering stage 2 outlines, their value and the average success rate.*

The geographic distribution for stage two applications is illustrated in Figure 2.

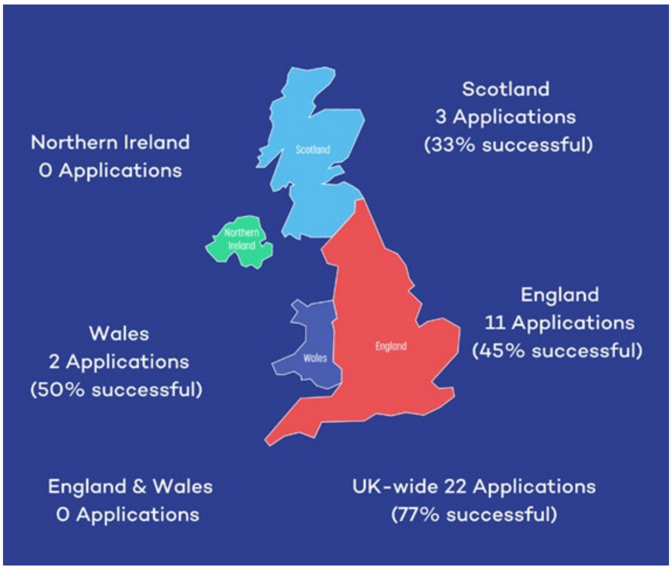



*Figure 2*

## UNRESTRICTED FUNDING

| | 2021 | 2020 |
|---|---|---|
| New Unrestricted | 2 | 0 |
| Applied before | 5 | 6 |
| Total | 7 | 6 |

*Table 3 – A comparison of 2021 and 2020 unrestricted grants awarded.*

The core-funding we offer to organisations can be vital in helping them to develop from small organisations, often dependent on a single funder, to become stronger organisations.  This year our capacity to connect and bring together our grant holders, investees and partners has once again been somewhat hampered by Covid-19. We did however convene a series of events over the course of the year, key amongst which was Core Connect, a meeting of our core funded organisations. It is designed to enable us to share and test key aspects of our strategy, learn from the collective wisdom of participants and create a network of those active in moving to a fair economy.

Overall, we are managing 67 live grants worth £8.5 million.

# GRANTS

| New Grants 2020/21 | | | | |
|---|---|---|---|---|
| **Grantholder** | **Title of project** | **Amount awarded** | **Summary** | **Which 4Ds** |
| 350.org | Green new deal rising – a youth leadership programme | £50,000 | Supporting the Green New Deal Rising Youth Leadership Programme for people passionate about and with some experience in social change and living in areas hit hard by the pandemic and by climate/economic inequality. | Decarbonised, Democratised Diversified |
| Arkbound Foundation | COP26: Systems change not climate collapse | £3,500 | Contribution to presenting various alternative economic models, authored by people from around the world, as part of a landmark publication timed for the COP26 summit. | Decarbonised Diversified |
| Centre for London | London's local authorities, assets and their partners: generating positive change for communities | £55,797 | Investigating how the assets and spending power of local authorities and their partners can be used to improve economic and social outcomes for their residents in London and other big cities and how residents can shape this process. | Decentralised Democratised |
| Community Action Groups Oxfordshire | Owned by Oxford | £174,406 | A consortium of stakeholders with a vision to rebuild a more inclusive, democratic and localised economy in Oxford which serves the health and wellbeing of people and the environment. | Decentralised Democratised |
| Community Energy Association (England) Ltd | Transitioning to a fairer, decentralised, decarbonised and democratic energy system | £101,200 | The project's aim is to increase community energy's contribution to the transition to a fairer, decentralised, decarbonised and democratic low-carbon economy. | Decarbonised Decentralised Democratised |

| **New Grants 2020/21** | | | | |
|---|---|---|---|---|
| **Grantholder** | **Title of project** | **Amount awarded** | **Summary** | **Which 4Ds** |
| Decolonising Economics (hosted by Finance Innovation Lab) | Decolonising Economics | £15,000 | Funding focused on support for Decolonising Economics in becoming an established organisation and in pursuit of its work. | Diversfied |
| Ecumenical Council for Corporate Responsibility | Core funding | £85,000 | Core funding | Decarbonised<br>Democratised |
| Economy | Core funding | £190,000 | Core funding | Decarbonised<br>Decentralised<br>Democratised<br>Diversified |
| Fairshare Educational Foundation (ShareAction) | Core funding | £300,000 | Core funding | Decarbonised<br>Decentralised<br>Democratised<br>Diversified |
| Finance Innovation Lab | Core funding | £200,000 | Core funding | Decarbonised<br>Decentralised<br>Democratised<br>Diversified |
| Forum for the Future | Power paired | £2,500 | Taking the Power Paired community asset bank matching resource to other parts of the UK | Decentralised |
| Institute of Welsh Affairs | Re-energising Wales | £9,000 | Follow up to a previous project to look at different ways to influence policy on the green agenda in Wales | Decarbonised |
| Jubilee Scotland | Ending Public-Private partnerships in Scotland | £35,000 | Developing a new public financing model and a broad coalition of stakeholders to support a cross-party working group at the Scottish Parliament. | Decentralised<br>Democratised |

| New Grants 2020/21 | | | | |
|---|---|---|---|---|
| **Grantholder** | **Title of project** | **Amount awarded** | **Summary** | **Which 4Ds** |
| Medact | Campaigning for an economy which centres on health and wellbeing | £148,200 | Supporting health workers to challenge narratives that public health and economic wealth are in tension, campaigning for an economy that centres health and wellbeing. | Outside the 4D economy theme |
| New Economy Organisers Network | NEON movement building | £200,000 | Powering the next generation of civil society movements and organisations for a fairer, sustainable economy through a rigorous programme of leadership development, strategic coaching and mass trainings for civil society organisations. | Decarbonised<br>Decentralised<br>Democratised<br>Diversified |
| Power for People Ltd | The community energy revolution: the campaign for a Local Electricity Bill | £30,000 | A national campaign to establish a Right to Local Supply by seeing the Local Electricity Bill made law. Empowering communities to sell renewable energy that they generate. | Decentralised<br>Democratised |
| Power to Change | Community Power Group | £5,000 | Supporting the work of a civil society consortium of organisations to promote ‘community power’ (local control and influence). | Decentralised |
| Rethinking Economics | Core funding | £200,000 | Core funding | Decarbonised<br>Decentralised<br>Democratised<br>Diversified |
| Stir to Action | Core funding | £120,000 | Core funding | Decarbonised<br>Decentralised<br>Democratised<br>Diversified |

| **New Grants 2020/21** | | | | |
|---|---|---|---|---|
| **Grantholder** | **Title of project** | **Amount awarded** | **Summary** | **Which 4Ds** |
| Tax Justice UK | Core funding | £100,000 | Core funding | Decarbonised<br>Decentralised<br>Democratised<br>Diversified |
| The Financial Inclusion Centre | The devil is in the policy detail | £16,000 | A small follow-on project to further develop some of the policy recommendations emerging from FIC's Time for Action report. | Democratised |
| Turning the social sector, the right way up | Turning the social sector, the right way up | £16,986 | A small exploratory project on how social change initiatives can be built from and within communities and be rooted in accountability to those communities, creating some practical alternative models. | Diversified |
| Wessex Community Assets Ltd | Raise the roof | £100,000 | Achieving a fair transition to an ecological and equitable local economy and developing a model that can be adopted widely – based on the creation of key community-led assets and networks. | Decarbonised<br>Decentralised<br>Democratised |
| Women's Budget Group | Feminist Green New Deal | £252,707 | To develop and build support for a Feminist Green New Deal in the UK, engaging and including key stakeholders from the environmental, women's social and racial justice sectors. | Decarbonised<br>Diversified |
| Friends Provident Foundation (working with other funders) | Foundation Practice Rating | £45,000 | Foundation Practice Rating (FPR) is a new method of assessing the governance and reporting practices of private trusts and foundations in the UK, creating a public record of their achievements. The project funds are being managed by Friends Provident Foundation, working alongside, and with contributions from, nine other foundations/trusts. | Diversified |

*Table 4 – A table illustrating new grantholders*

# USING OUR RESOURCES – Change through investment

## HOW WE USE OUR ENDOWMENT

Taking an integrated approach to our mission and capital base, we use our endowment as a tool for change, through social investments and asset manager and shareholder engagement. We focus our efforts on strategic themes to underpin and focus our proactive work, drawn from what we have learned from, or key developments in, our programme areas. Current focus is 4D transition in the energy market, including support for just transition and community energy.

## SHAREHOLDER ENGAGEMENT WITH ENERGY UTILITIES FOR A JUST TRANSITION

The Foundation has partnered with Royal London Asset Management and Shareholders for Change to engage energy utility companies on the 4D trends transforming the power sector. This programme uses recommendations from the grant funded London School of Economics Grantham Research Institute 'Financing a Just Transition' programme.

Throughout 2020/21, constructive meetings were held with SSE, Centrica, Scottish Power, EDF, Eon, RWE and National Grid. Most of the companies were already working to decarbonise but had not established formal plans. We proposed that the companies develop formal just transition strategies and in November 2020, SSE published the world's first formal just transition strategy. The resulting strategy was comprehensive, covering the key stakeholder groups we identified: workers, communities, consumers and supply chains.

SSE's strategy establishes '20 Principles for a Just Transition', including to:

- 'prioritise retraining and redeployment' for fossil fuel workers,
- 'guarantee fair and decent work' for new green jobs,
- 'boost inclusion and diversity',
- 'share value with communities' including looking at shared ownership for new renewables, and
- 'advocate for fairness' for consumers.

In March 2021, Eon introduced a just transition section to its decarbonisation strategy, covering 'consumers and communities' and 'people strategy and future of work'. Centrica, Scottish Power and EDF UK have agreed to publish formal just transition strategies ahead of COP26 in November 2021.

## DIRECT SHAREHOLDINGS

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

## DIRECT IMPACT INVESTING

Almost 10 years ago, trustees agreed that up to 10 per cent of the investible funds could be invested into instruments to which the Foundation's general charitable objectives and specific programme aims could be applied. The primary aim of social investments is to pursue the Foundation's broad charitable and focused programmatic objectives using financial instruments other than grants. The secondary aim of social investments is to produce a financial return.

Our current portfolio of impact investments includes:

- **Snowball Impact Investments** - a ground-breaking new 100% impact investment fund. In 2020, they restructured to create Snowball Impact Management and Fund (GP/LP structure) to allow new investors. Snowball applies a social and environmental impact lens to all its investment analysis, reporting and decision-making. In 2021, Snowball was recognised as a 'Best for the World' BCorp. The Foundation currently has £1.5 million invested in the Snowball Impact Investment Fund.
- **Riding Sunbeams Apollo Ltd** - a joint venture between Community Energy South, Possible, Thrive Renewables and the Foundation. It seeks to decarbonise the transport system by developing community-owned renewable energy assets and using the electricity generated to power trains and other forms of transport. The company is the first to embed facilitating a just transition into its legal purpose. The Foundation invested £199,960 in 2020 for equity.
- **Egni Solar Co-op** which is in the process of installing up to 5MW of rooftop solar on over 200 sites across Wales. Smaller sites such as primary schools and community centres will receive the energy for free as part of the Co-op's community benefit. It is the largest ever roll-out of solar PV in Wales. The Foundation invested £100,000 in a community share offer.
- **Awel Wind Co-op** - a 4.7MW two wind turbine project that is wholly owned, controlled by and benefits the local community. The community, 20 miles north of Swansea, is an area of high social deprivation. Over the project's lifetime, it is expected that £3 million will be given to Awl Aman Tawe Charity to alleviate local fuel poverty. The Foundation invested £95,000 in a community share offer.
- **Energy Garden Ltd** - a community benefit society hoping to raise funds to develop and acquire solar PV arrays. The income generated will be used to transform 50 London Overground platforms and stations into community gardens and food growing plots and to support volunteers and youth training. Its intention is to support resilient communities, improve air quality and wellbeing and raise awareness of community energy. The Foundation has invested £50,000 in a future community share offer expected in 2021/22.
- **Stichting Equileap Foundation -** aims to accelerate progress towards gender equality in the workplace as a powerful lever in tackling inequality and poverty.

To do this they use knowledge through providing detailed data on companies' gender equality performance to inform gender-lens investment decisions. Net profits from this work go towards the creation of a sustainable fund to tackle the root causes of gendered economic inequality. The Foundation invested £100,000 in 2018, as a ten-year loan; Equileap restructured this year and repaid the loan in November 2021.

- **Ethex** - a non-profit ethical investment club, which has both ethical investors and ethical businesses as members. Through collaboration and the pooling of resources, it aims to promote and encourage businesses that have both social and commercial goals. It wants to make financial services more affordable and more available to ethical businesses and to ethical investors. The Foundation invested £50,000 in 2013, structured as a loan. We agreed an interest payment holiday this year to ease cash flow to facilitate operational expansion.

## THE FOUNDATION'S MAINSTREAM INVESTMENTS

The bulk of the Foundation's endowment is managed by two fund managers in line with our cash flow requirements, the cost of fund management and their decision to invest ethically and for mission. This comprises:

- A range of funds managed by the BMO Asset Management Limited:
  - Responsible Global Equity Fund (Inc) (Share Class 4),
  - Responsible Sterling Bond Fund (Inc) (Share Class 2), and,
  - Responsible UK Equity Fund (Inc) (Share Class 4).

- Cazenove Capital:
  - Sustainable Growth Fund.

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

The Foundation also maintains a Fund and Share Account with Hargreaves Lansdown to purchase direct shareholdings in companies we wish to influence.

## NEW INVESTMENT MANAGER

In 2020, the Foundation launched an investment manager tender to increase the endowment's impact and contribution to our mission, worth £10 million. We joined Joffe Trust and Blagrave Trust to hold the 'ESG investing olympics', a first of its kind, open, competitive tender for a total investment mandate of £33.5 million. We hosted an event at the Royal Institution in London to an audience of trustees, mission-led asset owners (charities, churches, universities, and pension funds) and grant recipients with an interest in sustainable finance. The trustees selected Cazenove Capital as the winner.

Launched in January 2021, we became a cornerstone investor in Cazenove Capital's 'Sustainable Growth Fund'. We announced a shared vision for the fund that includes continually pushing the boundaries of sustainable investing, radical transparency and a new collaborative approach with active client participation.

In February, we published our ‘ESG investing olympics: state of the sector 2020’ report which is based on assessments of the 59 tender proposals received from investment managers with combined assets under management of £15 trillion. The report highlights emerging best practice and areas where standards are falling short of minimum expectations and gives recommendations for minimum standards.

Following engagement with Cazenove Capital regarding underlying fund manager compliance with the recommended standards, it came back with new policy and disclosure announcements from Schroders. In June 2021, Cazenove Capital held its first Investor Forum for clients in the new Sustainable Growth Fund. The Forums will be held every six months and form part of the commitment to ‘radical transparency’ and ‘active client participation’. We will also report annually against key indicators.

## TOP 20 COMPANY INVESTMENTS IN OUR BMO ASSET MANAGEMENT FUNDS AT SEPTEMBER 2021:

| | | | | |
|---|---|---|---|---|
| Apple | AstraZeneca | Unilever | Ashtead Group | Thermo Fisher Scientific |
| Linde | Mastercard | Experian | Accenture | GlaxoSmithKline |
| Ferguson | Taiwan Semiconductor Manufacturing Company | Intermediate Capital Group | Illumina | Computacenter |
| Roper Technologies | Schneider Technologies | Watches of Switzerland Group | Rentokil | Metller Toldeo International |

## TOP 10 UNDERLYING FUNDS IN CAZENOVE CAPITAL FUND AT SEPTEMBER 2021:

| | | | | |
|---|---|---|---|---|
| Schroder Sustainable Growth Strategy | Ninety-One Environmental Fund | Vontobel EM Sustainable Leaders Fund | M&G Positive Impact Fund | Pictet-Nutrition |
| Gold ETF | US Lyxor TIP’s | Impax Environmental Fund | INPP | Montanaro Better World Fund |

Trustees have developed our thinking about our priorities in terms of investment, as well as our policy relating to climate change; the full outline of our investment beliefs and policies are available on our website.

We continue to work with other trusts and foundations: Charities Responsible Investment Network, Church Investors Group, Shareholders for Change, UK Sustainable Investment and Finance Association, Good Work Coalition and Workforce Disclosure Initiative.

# CONVENING AND COMMUNICATING THE 4D ECONOMY

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

Our first communications manager Nicola Putnam left the Foundation this year and the team was joined by Jake Furby in March 2021. Jake is enthusiastic about equity and diversity within communications and has brought this element to our work.

## STRATEGY – CREATING ACCESSIBLE AND DIVERSIFIED COMMUNICATIONS

We have updated our communication and social media strategies, with the focus being on:

- Accessible, humanising and harmonising communications across multiple social media platforms.
- Setting up a ‘Core Connect Communication Group’.
- Developing SMART goals for communications campaigns.
- Encouraging the use of our hashtag #FPROVFOUNDATION in social media communications.
- Developing individual plans for Facebook, LinkedIn and Instagram.
- Developing a crisis communications management plan.

## EVENTS AND PROJECTS

- **Economist Video and Economist Education Week.** The aim of this was to coordinate two of our grantees (CORE and Rethinking Economics) in developing a resource that reflected both organisations’ missions. Although these two organisations adopt different approaches, we support their aims to change the way in which economics is taught. We developed an animation which was released this year and is available on our website.
- **Core Connect Group**. We also brought together our core-funded grantees. Core-funded grantees are organisations that have received unrestricted funding. The Core Connect Group provides an opportunity for networking and discussion, to share learning and to raise any issues. A Core Connect Communications Group has also been established.
- **York Festival of Ideas:** We were pleased to support the University of York’s Festival of Ideas again this year. The programme had over 100 contributors. The events were free to attend and investigated a range of perspectives on economics.

# THEORY OF CHANGE UPDATE

This year the Foundation worked with New Philanthropy Capital to update and refresh our Theory of Change, which was first created in 2018 looking back at our previous programme. We felt it was a good time to begin the process of developing a theory that looks forward within this programme of work, with a view to:

- Considering the changed context, particularly large structural and global changes;
- Providing structure for our emerging learning strategy; and,
- Targeting our efforts towards the most impactful activities.

We engaged with key stakeholders and our trustees to formulate the Theory, a draft of which was first presented to trustees in September. This work is ongoing as we continue to consider how to reflect certain elements of our work which have grown in prominence over the course of the year, these include:

- Our investment engagement activities outside of the grants programme;
- Our journey to examine how best to reflect our commitment to equity and diversity; and,
- Revisions to the grants programme happening throughout 2022.

We expect to finalise our theory in the winter of 2022 and will create a series of measures to accompany it that will enable us to track progress against our own ambitions for a new economy.

# EQUITY AND SOCIAL JUSTICE

This year we have focused on specific equity and social justice projects. We recognise that this is an ongoing long-term piece of work and, so far, we have:

- Established our Equity and Social Justice Working Group which aims to integrate equity and social justice within our activities. We have learnt so far that we need to be considerate, raise awareness amongst staff and trustees and unlearn processes that are potentially harmful. We are developing a training programme, a strategy and projects to further this work.
- We are developing our communications so they are accessible for people who are visually disabled. It is a legal requirement under the Equality Act 2010, to make reasonable adjustments when it comes to our services. We need to ensure that we are not discriminating against people with protected characteristics.
- This year we launched the Foundation Practice Rating, a new governance tool to improve practice on accountability, transparency and diversity in charitable and community foundations. The project is funded by us and 9 other organisations. We were assessed and from the report it is clear we need to be more accessible

and diverse when it comes to our grant making and how we present data on our website.

# WHAT WE LEARNED THIS YEAR

Over 20 grant funded projects finished their work this year, new projects began and we progressed on our investment engagement activities. We have also begun to invest in learning from our work in a more structured and purposeful way. Some key things we learned this year in relation to the 4D economy were:

## DECARBONISE

- For community renewable energy to scale up it needs fair treatment by government and regulators.
- Many local authorities have not begun their journey to decarbonise and are struggling to make any progress due to a lack of government support, funding and guidance.
- The pandemic has increased focus on economic recovery including 'green recovery' and resilience.
- Increasing numbers of companies and investors are adopting targets to reach net zero emissions by 2050 but very few have adopted meaningful transition plans.
- Whilst a minority of companies provide sustainability-related information, the comparability of companies' sustainability reporting is not sufficient to understand their impacts, risks, or even their plans.
- Many finance companies have issued top-line positions that sound supportive of sustainable finance regulations; but few have backed this up with consistent positive policy engagement.
- Business associations representing financial sectors remain skeptical of a meaningful regulatory approach, pushing against ambitious outcomes and instead opting for a 'light-touch', restricted, voluntary and non-prescriptive approach.
- Industry groups representing the fossil fuel value chain have become increasingly engaged in the sustainable policy process. These groups appear to be lobbying to undermine sustainable finance policy to ensure the ongoing financing of polluting business practices.
- Direct legal challenges may be required to ensure that disclosures around climate risk are resulting in actions to reduce climate impacts in practice and to avoid the significant and emerging risks of 'greenwashing'.
- Socially Responsible Investment (SRI) and Environmental, Social, Governance (ESG) integration has become more mainstream but true SRI/ESG still makes up a small fraction of investments.
- SRI/ESG investment is constrained by a culture of short-termism and shareholder value.

## DECENTRALISE

- Many projects that self-define as UK-wide, focus almost completely on Westminster/English policy matters.
- Despite the favourable economics, technology and public support for decentralized renewable energy, the energy system and its regulations favour large centralised generation.
- There is an uneven geographical coverage of community energy in under-served regions. This has proven to be a long-term challenge.
- For low-income communities, particularly where most people rent, the current model of how energy is supplied to households means that it is difficult to develop community-owned renewable energy generation.
- There is a potential role for Community Energy. It could manage energy demand at the neighbourhood level.
- Using behavioural approaches can be effective when implementing Community Energy projects, this helps communities engage with energy. However, there is an argument for automating demand response where possible and appropriate.
- Ensuring flexible markets in the energy system are simple can engage and retain small consumer buy-in that retain levels of consumer control.

## DEMOCRATISE

- In seeking to engage with communities' action to address the economy, we need to fully understand the challenges of engagement fatigue where communities have previously been asked to engage and outcomes were set by others. This should be explicitly explored in early engagement(s).
- Learning and community action is more likely to occur when participants engage voluntarily in activities because they meet their needs and interests. The social purpose of activities can be as important as the practical learning.
- Successful campaigning and movements benefit from peer networks and other trusted intermediaries and well-respected political champions.
- Whilst many companies recognise that former passive consumers are becoming active participants in markets, often as part of their communities, there is resistance to democratisation involving sharing ownership and control.
- Our work on Ownership, Power and Control illustrated the lack of communication between different social business models. One of the disadvantages of this is that organisations cannot learn from other models. There is also a social pressure for there to be one dominant type of social business resulting in other innovative models being ignored and discouraged.

## DIVERSIFY

- The concept of a caring economy has gained traction across a broad spectrum of organisations and individuals, focusing on environmental considerations and care for the environment, as well as for people in need of care.
- This year, our conference was themed on the 4D Economy. One of the key learning points was increasing our knowledge about the global south and, in particular, how the west is still exploiting the global south's resources to fund the west's climate change goals. We are reflecting on this and how it could affect our work.
- The Equity and Social Justice Group activities have helped us to reflect on our current practices. We are just at the beginning of this process but have learned that we must be considerate, come from a place of learning and increase our knowledge in this area.
- The Foundation Practice Rating has been a thought-provoking project to initiate in the charitable and community foundation sector. After being assessed, we have learnt that we need to be more diverse in our communications, be more transparent about our equity and diversity work and ensure that we have a diversity plan which has targets.

## CLIMATE EMERGENCY DECLARATION – ANNUAL STATEMENT

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

We made commitments covering investments, grants and operations, which are available on our website, including to report annually on progress as part of our annual report. In 2020/21:

- We used our influence as a shareholder to "promote a just and net-zero carbon transition". This included co-filing a shareholder resolution at HSBC in January 2021, along with 14 other institutional investors. The resolution was coordinated by ShareAction and called for a net-zero transition plan and timetable to divest fossil fuels, in line with the climate science. We withdrew it in March following negotiation with HSBC on the wording of its management resolution, which commits HSBC to alignment with the Paris climate agreement, including short and medium-term science-based targets and to divestment from coal.

  At the HSBC AGM in May, the resolution passed with 99.7% of the shareholder vote. Regular meetings are being held with HSBC as it develops its coal policy and wider climate strategy. Further action could be taken in 2022 if they are inadequate.

Throughout 2020/21, we have also been using our shareholder influence to engage energy utility companies to adopt formal just transition strategies to accompany net zero plans, securing the world's first strategy from SSE plc (see investment report above).

- We have used our influence with asset managers and the market to "ensure active and high standards of shareholder engagement on climate change". These standards featured heavily in our 'ESG investing olympics' tender for a new asset manager, and subsequent 'state of the sector' report and market recommendations (see investment report above).

  We have engaged one of our asset managers to act on climate misinformation by one its largest holdings, Alphabet, the parent company of YouTube and Google. Our manager requested YouTube de-prioritise content featuring climate denialism in a similar way to extremist content and stop it from being monetised. A policy was announced and implementation is being monitored.

- We have particularly favoured investments in "companies whose business model focus is on net-zero carbon transition". Our social investments have a focus on community energy and include Riding Sunbeams, Awel Wind Co-op, and Egni Solar Co-op. Our mainstream investments include a new manager with investments in renewable energy, green bonds and energy transition (see investment report above).

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

  In 2020/21, we gave a grant of £101,200 to Community Energy England to support 'transitioning to a fairer, decentralised, decarbonised and democratic energy system' and £30,000 to Power for People for its Local Energy Bill campaign. We also gave a grant of £252,707 to the Womens' Budget Group for its 'Feminist Green New Deal' programme and £50,000 to 350.org for its 'Green New Deal Rising' programme for youth leadership (see table of grant holders above).

- We have used our influence to support public policy engagement. In 2021, we match-funded a Climate Coalition campaigner to advocate for community energy in the run up to COP26. We also helped mobilise some of the 75 signatories to an open letter in support of the Environmental Audit Committee's recommendations on community energy.

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

We will build upon the progress made in 2020/21 and continue to deploy our resources and use our influence to help accelerate the transition.

# THE FUTURE – OUR PLANS FOR 2021-22

Trustees and staff met together for a strategic workshop in September 2021 to consider a proposed revised Theory of Change and the approach to the expenditure of capital adopted by the Foundation in 2016. As a result of this strategic review, the following directions were considered which will feed into the development of our organisational objectives for 2021-22:

1. Reducing the current rate of spend over the course of this financial year.
2. Investment in learning from our activity through the Learning Strategy.
3. Grants programme redesign to rebalance our strategy between investment and grants activity, maintaining a focus on diversity, equity and inclusion and maximising impact.
4. Consideration of different models to increase investment engagement/impact investment capacity.
5. Additional capital allocation to impact investment or near market investment.
6. Developing communications further as a strategic tool in terms of:
    a. Capacity building the sector in key areas such as equity and inclusion;
    b. Collaborative working; and,
    c. Investment Engagement.
7. Revision of the new Theory of Change to reflect the impactful activities and emphasis on investment goals.
8. Diversity and a fair economy will continue as an important strand of our work, with further resources to support the Equity and Social Justice working group.

# OUR POLICIES, GOVERNANCE AND OPERATIONS

This year we focused on reviewing and creating new policies and procedures which inform our work. The following policies and procedures have been updated:

- **Capability Policy and Procedure**
- **Disciplinary Policy and Procedure**
- **Financial Procedures**

- **Pay Policy**
- **Travel Expenses**
- **The Gifts and Hospitality Policy**
- **Safeguarding Policy**

## MANAGEMENT AND ADVICE

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

## CLIMATE RISK AND OUR INVESTMENTS

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

## USING OUR RESOURCES

- Trustees took the decision that the Foundation can spend its capital as well as its income in pursuit of our mission.
- Trustees actively review both strategy and resources to manage the risk of this approach.
- At the 2020 Away Day trustees expressed concern about the amount of capital being spent. The current rate of spend will be reduced to £2 million per annum.

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

# RISK MANAGEMENT

The trustees are responsible for overseeing the effective management of the Foundation and for safeguarding its assets. Risk management is an ongoing activity involving all trustees and is reviewed by trustees at least annually. During the year, the trustees have reviewed the risks facing the Foundation covering governance and management issues, financial, regulatory, legal and operational risks. Mitigating actions have been taken regarding the major risks that have been identified, namely:

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

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

## RESERVES AND GOING CONCERN

The total charity funds at the year-end of £29.93 million (2020: £28.81 million) were held in the endowment fund. The capital comprising the Foundation's expendable endowment is the principal source of income to meet the Foundation's objectives and running costs. The trustees consider that there are no material uncertainties about the Foundation's ability to continue as a going concern.

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

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

The reserves policy was reviewed and approved by the trustees in September 2021. Trustees will continue to review the level of reserves, taking into consideration the cost base of the Foundation.

# FINANCIAL REVIEW

The Foundation's income is derived from investment performance. Total income for the year ended 30 September 2021 was £534,602 (2020: £574,700), mainly attributable to dividends and interest received from the principal investments – open-ended investment trusts with underlying investments in equities and corporate bonds. The level of income continued to be impacted by the Covid-19 pandemic and its effect on the global economy. In addition, during the year, investments of £10 million were transferred to a new fund to better align their impact with the aims of the Foundation. The growth of the new fund is based on total returns which, in the short term, has led to reduced income. The total expenditure for the year was £3,462,439 (2020: £2,874,989). Of this, grant commitments amounted to £2,588,219 (2020: £2,327,488) and other expenditure was £874,220 (2019: £547,501). Net expenditure for the year was £2,927,837 (2020: £2,300,289) before investment gains of £4,049,930 (2020: £144,345), leading to net income of £1,122,093 (2020: Net expenditure of £2,155,944).

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

## REMUNERATION OF STAFF

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

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

Reflecting our programme focus on pay transparency and in line with NCVO guidance, the ratio between the highest salary (£87,255) and the median salary (£35,278) in the Foundation is 2.5:1. The ratio of the top salary to the lowest is 3.4:1. These calculations are based on Full Time Equivalent salaries, net of salary sacrifice deductions.

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

## STATEMENT OF FUNDRAISING PRACTICE

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

### GOVERNANCE ARRANGEMENTS – HOW WE ORGANISE OUR WORK

A Board of Trustees, of up to ten individuals who must hold at least two meetings each year, administers and controls the Foundation and has control of its property and funds. Trustees are subject to fixed-term appointments as set out in the Memorandum and Articles of Association dated 1 June 2001. During the year, trustees have formally met four times.

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

## THE ROLE OF TRUSTEES

An individual induction programme is in place and implemented for new trustees, covering all relevant aspects of the role and the Foundation. Training opportunities relating to grant-making are also made available to trustees through the Association of Charitable Foundations Trustee network.

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

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

### RECRUITMENT OF TRUSTEES

Trustees are recruited through advertisement in national and local press, through professional networks and the community of organisations we support. They are interviewed by a panel of existing trustees against a set of advertised criteria and with due regard to the Foundation's commitment to equality of opportunity and fair treatment. We monitor the response to all vacancies in terms of gender, ethnicity and disability. Appointed by the serving trustees, the recruitment and appointment of new trustees is fully discussed at meetings of the full Board of Trustees.

### STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES

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

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

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

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

In so far as the trustees are aware:

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

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

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The trustees have no beneficial interest in the charity.

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

Approved by the trustees on 8 March 2022 and signed on their behalf by

**Stephen Muers, Chair of the Board of Trustees**

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

**Opinion**

We have audited the financial statements of Friends Provident Charitable Foundation (the 'charitable company') for the year ended 30 September 2021 which comprise the statement of financial activities, the balance sheet, statement of cash flows and the notes to the financial statements including a summary of the principal accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

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

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report, which is also the directors' report for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of trustees' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or

- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

**Responsibilities of trustees**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the charitable company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Companies Act 2006.

- We understood how the charitable company is complying with these legal and regulatory frameworks by making enquiries to management and those responsible for legal and compliance procedures. Through our enquiries we corroborated these views by our review of Board minutes.

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

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

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

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

**Use of our report**

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

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

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

For the year ended 30 September 2021

| | Note | Unrestricted £ | Restricted £ | **2021 Total £** | 2020 Total £ |
|---|---|---|---|---|---|
| **Income from:** | | | | | |
| Donations | | 216 | – | **216** | – |
| Charitable activities | 2 | – | 140,000 | **140,000** | – |
| Investments | 3 | 394,386 | – | **394,386** | 574,700 |
| **Total income** | | 394,602 | 140,000 | **534,602** | 574,700 |
| **Expenditure on:** | | | | | |
| Raising funds | | 12,598 | – | **12,598** | 15,155 |
| Charitable activities | | | | | |
| Support for Resilient Economies | | 3,396,864 | – | **3,396,864** | 2,859,834 |
| Foundation Practice Rating Project | | – | 52,977 | **52,977** | – |
| **Total expenditure** | 4 | 3,409,462 | 52,977 | **3,462,439** | 2,874,989 |
| **Net (expenditure)/income before net gains on investments** | | (3,014,860) | 87,023 | **(2,927,837)** | (2,300,289) |
| Net gains on investments | 12 | 4,049,930 | – | **4,049,930** | 144,345 |
| **Net income/(expenditure)** | | 1,035,070 | 87,023 | **1,122,093** | (2,155,944) |
| **Reconciliation of funds:** | | | | | |
| Total funds brought forward | | 28,809,045 | – | **28,809,045** | 30,964,989 |
| **Total funds carried forward** | | 29,844,115 | 87,023 | **29,931,138** | 28,809,045 |

All income and expenditure, and year end reserves, were in respect of unrestricted funds in the year ending 30 September 2020.

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 18 to the financial statements.

Friends Provident Charitable Foundation

## Balance sheet

Company no. 04228843

As at 30 September 2021

| | Note | £ | 2021 £ | £ | 2020 £ |
|---|---|---|---|---|---|
| **Fixed assets:** | | | | | |
| Tangible assets | 11 | | **4,136** | | 3,668 |
| Listed Investments | 12 | | **30,151,357** | | 29,001,907 |
| Social Investments | 13 | | **2,044,960** | | 2,449,960 |
| | | | **32,200,453** | | 31,455,535 |
| **Current assets:** | | | | | |
| Debtors | 14 | **376,519** | | 113,704 | |
| Cash at bank and in hand | | **1,208,840** | | 1,376,465 | |
| | | **1,585,359** | | 1,490,169 | |
| **Liabilities:** | | | | | |
| Creditors: amounts falling due within one year | 15 | **(3,040,923)** | | (2,920,045) | |
| **Net current liabilities** | | | **(1,455,564)** | | (1,429,876) |
| **Total assets less current liabilities** | | | **30,744,889** | | 30,025,659 |
| Creditors: amounts falling due after one year | 16 | | **(813,751)** | | (1,216,614) |
| **Total net assets** | | | **29,931,138** | | 28,809,045 |
| **The funds of the charity:** | 18a | | | | |
| Restricted income funds | | | **87,023** | | – |
| Unrestricted income funds: | | | | | |
| Designated funds | | – | | 45,000 | |
| General funds | | **29,844,115** | | 28,764,045 | |
| Total unrestricted funds | | | **29,844,115** | | 28,809,045 |
| **Total charity funds** | | | **29,931,138** | | 28,809,045 |

Approved by the Board of Trustees on 8 March 2022 and signed on their behalf by:

Stephen Muers
Chair of Trustees

Friends Provident Charitable Foundation

Statement of cash flows

For the year ended 30 September 2021

| | Note | 2021 £ | £ | 2020 £ | £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Net income/(expenditure) for the reporting period (as per the statement of financial activities) | | 1,122,093 | | (2,155,944) | |
| Depreciation charges | | 1,560 | | 2,976 | |
| Loss on disposal of fixed assets | | – | | 164 | |
| Dividends, interest and rent from investments | | (394,386) | | (574,700) | |
| Gains on investments | | (4,049,930) | | (144,345) | |
| Impairment losses | | 300,000 | | – | |
| (Increase)/Decrease in debtors | | (262,815) | | 36,559 | |
| Increase/(Decrease) in creditors | | (281,985) | | (633,082) | |
| **Net cash used in operating activities** | | | (3,565,463) | | (3,468,372) |
| **Cash flows from investing activities:** | | | | | |
| Dividends, interest and rents from investments | | 394,386 | | 574,700 | |
| Purchase of fixed assets | | (2,028) | | (2,911) | |
| Proceeds from sale of investments | | 12,928,063 | | 3,659,630 | |
| Purchase of investments | | (10,110,031) | | (214,924) | |
| Transfer in to investment funds | | (1,958) | | – | |
| Funds released for reinvestment | | 200,000 | | – | |
| Conversion of investment to grant funding | | – | | 50,000 | |
| **Net cash provided by investing activities** | | | 3,408,432 | | 4,066,495 |
| **Change in cash and cash equivalents in the year** | | | (157,031) | | 598,123 |
| Cash and cash equivalents at the beginning of the year | | | 1,438,324 | | 840,201 |
| **Cash and cash equivalents at the end of the year** | a | | 1,281,293 | | 1,438,324 |

**Analysis of cash and cash equivalents and of net debt**

| | | At 1 October 2020 £ | Cash flows £ | Other non-cash changes £ | At 30 September 2021 £ |
|---|---|---|---|---|---|
| | Cash held as part of investment portfolio | 61,859 | 10,594 | – | 72,453 |
| | Cash at bank and in hand | 1,376,465 | (167,625) | – | 1,208,840 |
| a | **Total cash and cash equivalents** | 1,438,324 | (157,031) | – | 1,281,293 |

The charity held no borrowings at either 1 October 2020 or 30 September 2021.

## 1 Accounting policies

### a) Statutory information

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

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

### b) Basis of preparation

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

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

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

### c) Public benefit entity

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

### d) Going concern

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

The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period. Trustees are aware that there are net current liabilities but this is principally down to timing and the fact that liabilties are recognised in full for the following 12 months but there is no correcsponding income recognised. In addition, the Foundation has significant resources available in fixed asset investments which can be drawn down as required to fund working capital.

### e) Income

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

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

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

1 Accounting policies (continued)

f) Fund accounting

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

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

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

Endowment funds represent the investment assets derived from the donation of £20 million from Friends Provident plc in 2004. The endowment is expendable at the discretion of the trustees.

g) Expenditure and irrecoverable VAT

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

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

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

h) Grants payable

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

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

i) Allocation of support costs

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

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

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

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

## 1 Accounting policies (continued)

### j) Operating leases
Rental charges are charged on a straight line basis over the term of the lease.

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

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

- Computer equipment 4 years

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

### m) Social Investments
Social investments are valued at their fair value. Where fair value is not practicable, social investments are recognised at cost less impairment.

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

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

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

## 1 Accounting policies (continued)

### q) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

### r) Pensions

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

## 2 Income from charitable activities

| | **2021 Total £** | 2020 Total £ |
|---|---|---|
| Grant income for Foundation Practice Rating Project | **140,000** | – |
| | **140,000** | – |

All income from charitable activities is restricted.

## 3 Income from investments

| | **2021 Total £** | 2020 Total £ |
|---|---|---|
| Gross dividends | **389,090** | 574,343 |
| Income from social investments | **5,216** | – |
| Bank interest | **80** | 357 |
| | **394,386** | 574,700 |

All income from investments is unrestricted.

## 4a Analysis of expenditure (current year)

| | Raising funds £ | Charitable activities: Support for Resilient Economies projects £ | Foundation Practice Rating Project £ | Governance costs £ | Support costs £ | **2021 Total £** | 2020 Total £ |
|---|---|---|---|---|---|---|---|
| Investment manager's fees | 12,398 | – | – | – | – | **12,398** | 2,563 |
| Investment advice & other costs | 200 | – | – | – | – | **200** | 12,592 |
| Grant commitments | – | 2,588,219 | – | – | – | **2,588,219** | 2,327,488 |
| Impairment losses | – | 300,000 | – | – | – | **300,000** | – |
| Staff costs (Note 7) | – | – | – | 45,930 | 260,272 | **306,202** | 279,456 |
| Staff training, expenses & other related costs | – | – | – | – | 12,183 | **12,183** | 26,533 |
| Grant advisory group, assessors & grantee support | – | – | – | – | 5,065 | **5,065** | 5,650 |
| Performance evaluation | – | – | – | – | 14,280 | **14,280** | 1,000 |
| Communication, dissemination & website costs | – | – | 12,977 | – | 38,764 | **51,741** | 73,839 |
| Overhead costs | – | – | – | – | 60,632 | **60,632** | 61,451 |
| Investment engagement fees | – | – | – | – | 27,170 | **27,170** | 37,615 |
| Legal & professional fees | – | – | 40,000 | – | 28,100 | **68,100** | 28,879 |
| Auditor's remuneration | – | – | – | 9,500 | – | **9,500** | 9,056 |
| Trustee meetings & expenses | – | – | – | 6,749 | – | **6,749** | 8,867 |
| | 12,598 | 2,888,219 | 52,977 | 62,179 | 446,466 | 3,462,439 | 2,874,989 |
| Support costs | – | 446,466 | – | – | (446,466) | – | – |
| Governance costs | – | 62,179 | – | (62,179) | – | – | – |
| **Total expenditure 2021** | **12,598** | **3,396,864** | **52,977** | **–** | **–** | **3,462,439** | |
| Total expenditure 2020 | 15,155 | 2,859,834 | – | – | – | | **2,874,989** |

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

## 4b Analysis of expenditure (prior year)

| | Raising funds | Charitable activities: Support for Resilient Economies projects | Governance costs | Support costs | 2020 Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Investment manager's fees | 2,563 | – | – | – | **2,563** |
| Investment advice & other costs | 12,592 | – | – | – | **12,592** |
| Grant commitments | – | 2,327,488 | – | – | **2,327,488** |
| Staff costs (Note 7) | – | – | 41,918 | 237,538 | **279,456** |
| Staff training, expenses & other related costs | – | – | – | 26,533 | **26,533** |
| Grant advisory group, assessors & grantee support | – | – | – | 5,650 | **5,650** |
| Performance evaluation | – | – | – | 1,000 | **1,000** |
| Communication, dissemination & website costs | – | – | – | 73,839 | **73,839** |
| Overhead costs | – | – | – | 61,451 | **61,451** |
| Investment engagement fees | – | – | – | 37,615 | **37,615** |
| Legal & professional fees | – | – | – | 28,879 | **28,879** |
| Auditor's remuneration | – | – | 9,056 | – | **9,056** |
| Trustee meetings & expenses | – | – | 8,867 | – | **8,867** |
| | 15,155 | 2,327,488 | 59,841 | 472,505 | 2,874,989 |
| Support costs | – | 472,505 | – | (472,505) | – |
| Governance costs | – | 59,841 | (59,841) | – | – |
| **Total expenditure 2020** | **15,155** | **2,859,834** | – | – | **2,874,989** |

## 5 Grant making (current year)

| | 2021 £ | 2020 £ |
|---|---|---|
| Grants payable at the start of the year | 4,098,302 | 4,735,395 |
| Grant commitments made in the year | 2,455,296 | 2,293,839 |
| Grants (written back) or adjusted | 132,923 | 33,649 |
| Net grants committed in the year | 2,588,219 | 2,327,488 |
| Grants paid | (2,874,411) | (3,064,581) |
| Grant payments converted to social investment | – | 100,000 |
| Grants payable at the end of the year | 3,812,110 | 4,098,302 |
| Creditors: amounts due within one year (note 15) | 2,998,359 | 2,881,688 |
| Creditors: amounts due in over one year (note 16) | 813,751 | 1,216,614 |
| Total creditors at the end of the year | 3,812,110 | 4,098,302 |

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

## 6 Net income / (expenditure) for the year

This is stated after charging / (crediting):

| | 2021 £ | 2020 £ |
|---|---|---|
| Depreciation | 1,560 | 2,976 |
| Operating lease rentals payable: | | |
| Property | 19,200 | 19,200 |
| Auditor's remuneration (excluding VAT): | | |
| Audit | 7,400 | 7,500 |

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

Staff costs were as follows:

| | 2021 £ | 2020 £ |
|---|---|---|
| Salaries and wages | 241,435 | 221,103 |
| Social security costs | 20,015 | 17,628 |
| Employer’s contribution to defined contribution pension schemes | 42,008 | 40,127 |
| Other forms of employee benefits | 2,744 | 598 |
| | 306,202 | 279,456 |

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

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

| | **2021** **No.** | 2020 No. |
|---|---|---|
| £60,000 – £69,999 | 1 | 1 |

The total employee benefits (including employer's pension contributions and employer's national insurance) of the key management personnel were £242,965 (2020: £227,775).

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2020: £nil). No charity trustee received payment for professional or other services supplied to the charity (2020: £nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totalling £181 (2020: £1,232) incurred by 9 (2020: 10) members relating to attendance at meetings of the trustees.

## 8 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 8.0 (2020:7.8). The full time equivalent number of staff was 6.8 (2020: 5.8).

## 9 Related party transactions

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

During this year a grant of £300,000 was made to Fairshare Educational Foundation (Share Action) to fund core costs. Paul Dickinson is a trustee of both organisations and became Chair of Share Action in November 2018. (£200,000 was included in grant creditors at 30 September 2021.)
Ann Don Bosco is a trustee at Economy which was granted core funding this year of £190,000. (The full amount was included in grant creditors at 30 September 2021.)

Priya Lukka is a trustee at The Equality Trust. Funding had been given in March 2018, before Priya joined the Foundation's board, for a project which completed during this year.

For the Foundations Practice Ratings Project which started during this year, Kathleen Kelly, is an employee on a collaboration between trusts/foundations which include Esmee Fairbairn Foundation, the Paul Hamlyn Foundation and the Lankelly Chase Foundation who are partners in the project. (Friends Provident Foundation awarded £45,000 to this project, of which £30,000 was included in grant creditors at 30 september 2021.)

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

- Fairshare Educational Foundation (Share Action): A grant of £80,000 was made in March 2020 to develop a legislative case for responsible investment in the run up to the COP26 event. Paul Dickinson is a trustee of both organisations and became Chair of Share Action in November 2018. (This grant was fully paid by 30 September 2021.)
- University of Birmingham, Centre on Household Assets and Savings Management (CHASM): A grant of £50,000 was awarded in March 2018 for the project 'Monitoring Financial inclusion 2018-2022'. Joanna Elson has since become Chair of CHASM's Advisory Panel. (£17,250 was included in grant creditors at 30 September 2021.)

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

There are no donations from related parties (2020: None) which are outside the normal course of business and no restricted donations from related parties (2020: None).

## 10 Taxation

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

## 11 Tangible fixed assets

| | Computer equipment £ | Total £ |
|---|---|---|
| **Cost** | | |
| At the start of the year | 13,010 | 13,010 |
| Additions in year | 2,028 | 2,028 |
| At the end of the year | 15,038 | 15,038 |
| **Depreciation** | | |
| At the start of the year | 9,342 | 9,342 |
| Charge for the year | 1,560 | 1,560 |
| At the end of the year | 10,902 | 10,902 |
| **Net book value** | | |
| **At the end of the year** | 4,136 | 4,136 |
| At the start of the year | 3,668 | 3,668 |

All of the above assets are used for charitable purposes.

## 12 Listed investments

| | 2021 £ | 2020 £ |
|---|---|---|
| Fair value at the start of the year | 28,940,048 | 32,440,369 |
| Additions at cost | 10,015,031 | 14,964 |
| Disposal proceeds | (12,928,063) | (3,659,630) |
| Transfer in during year | 1,958 | – |
| Net gain on change in fair value | 4,049,930 | 144,345 |
| | 30,078,904 | 28,940,048 |
| Cash held by investment broker pending reinvestment | 72,453 | 61,859 |
| Fair value at the end of the year | 30,151,357 | 29,001,907 |

| | 2021 £ | 2020 £ |
|---|---|---|
| Historical costs of listed investments at the year end | 20,392,091 | 17,520,789 |

Investments comprise:

| | 2021 £ | 2020 £ |
|---|---|---|
| UK Common investment funds | 30,025,740 | 28,897,376 |
| Shares listed on the London Stock Exchange | 53,164 | 42,672 |
| Cash | 72,453 | 61,859 |
| | 30,151,357 | 29,001,907 |

During the year, £10 million was transferred from funds held by the existing fund manager to a new sustainable growth fund managed by Cazenove Capital. This followed the 'Investing olympics' event held in March 2020, an open tender event to seek new investment managers with the aim of achieving best practice in environmental, social and governance integration and impact.

Individual holdings of listed fixed asset investments, held at 30 September 2021, which represent a material proportion of the total value of the fixed asset investment portfolio were as follows:

| | Valuation £ | Proportion % |
|---|---|---|
| Cazenove Sustainable Growth Fund | 10,780,736 | 35.8 |
| BMO Responsible UK Equity Fund | 6,694,618 | 22.2 |
| BMO Responsible Global Equity Fund | 5,904,144 | 19.6 |
| BMO Responsible Sterling Corporate Bond Fund | 6,646,242 | 22.0 |

## 13 Social investments

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Value at the start of the year | 2,449,960 | 2,300,000 |
| Additions at cost | 95,000 | 199,960 |
| Funds released for reinvestment | (200,000) | – |
| Impairment charge | (300,000) | – |
| Conversion of Energy Gardens investment to grant funding | – | (50,000) |
| Value at the end of the year | 2,044,960 | 2,449,960 |

On 30 September 2021, £200,000 of funds were released from the investment in Snowball Impact Investments LLP. These funds were held as a debtor at the year end (see note 14 below), before being reinvested into Snowball Impact Management Limited (SIML) on 14 October 2021. The funds of £300,000 already invested in SIML at the year end have been impaired. This is following independent advice and in accordance with our social investment valuation policy. This policy would also lead to the £200,000 invested post year-end being impaired. It was always anticipated that SIML would need additional capital whilst the Snowball Impact Investments LLP fund grew to scale and there are plans in place for further capitalisations.

The social investments include a ten-year loan of £100,000 made to the Stichting Equileap Foundation in July 2018. This Foundation has re-structured and the loan has been repaid early, in November 2021.

Individual holdings of social investments, held at 30 September 2021, which represent a material proportion of the total value of the social investment portfolio were as follows:

| | Valuation | Proportion |
|---|---|---|
| | £ | % |
| Snowball Impact Investments LLP | 1,500,000 | 73.4 |
| Riding Sunbeams Apollo Limited | 199,960 | 9.8 |
| Equileap | 100,000 | 4.9 |
| Egni Co-op | 100,000 | 4.9 |
| AWEL Co-op | 95,000 | 4.6 |
| Energy Gardens | 50,000 | 2.4 |

## 14 Debtors

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Grants receivable | 70,000 | – |
| Funds held for reinvestment (see note 13 above) | 200,000 | – |
| Other debtors | 1,654 | 1,500 |
| Prepayments | 13,582 | 5,666 |
| Accrued income | 91,283 | 106,538 |
| | 376,519 | 113,704 |

## 15 Creditors: amounts falling due within one year

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Grants payable (note 5) | 2,998,359 | 2,881,688 |
| Other creditors | 7,067 | 168 |
| Accruals | 35,497 | 38,189 |
| | 3,040,923 | 2,920,045 |

## 16 Creditors: amounts falling due after one year

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Grants payable – within 1 to 5 years (note 5) | 813,751 | 1,216,614 |
| | 813,751 | 1,216,614 |

## 17a Analysis of net assets between funds (current year)

| | Restricted £ | General unrestricted £ | Designated £ | **Total funds £** |
|---|---|---|---|---|
| Tangible fixed assets | – | 4,136 | – | **4,136** |
| Investments | – | 32,196,317 | – | **32,196,317** |
| Current assets | 87,023 | 1,498,336 | – | **1,585,359** |
| Current liabilities | – | (3,040,923) | – | **(3,040,923)** |
| Long term liabilities | – | (813,751) | – | **(813,751)** |
| **Net assets at 30 September 2021** | **87,023** | **29,844,115** | **–** | **29,931,138** |

## 17b Analysis of net assets between funds (prior year)

| | Restricted £ | General unrestricted £ | Designated £ | **Total funds £** |
|---|---|---|---|---|
| Tangible fixed assets | – | 3,668 | – | **3,668** |
| Investments | – | 31,451,867 | – | **31,451,867** |
| Current assets | – | 1,445,169 | 45,000 | **1,490,169** |
| Current liabilities | – | (2,920,045) | – | **(2,920,045)** |
| Long term liabilities | – | (1,216,614) | – | **(1,216,614)** |
| **Net assets at 30 September 2020** | **–** | **28,764,045** | **45,000** | **28,809,045** |

## 18a Movements in funds (current year)

| | At 1 October 2020 £ | Income & gains £ | Expenditure & losses £ | Transfers £ | **At 30 September 2021 £** |
|---|---|---|---|---|---|
| **Restricted funds:** | | | | | |
| Restricted funds: | | | | | |
| Foundation Practice Rating Project | – | 140,000 | (52,977) | – | **87,023** |
| Total restricted funds | – | 140,000 | (52,977) | – | **87,023** |
| **Unrestricted funds:** | | | | | |
| Designated funds: | | | | | |
| Foundation Practice Rating Project – funds contributed by Friends Provident Foundation | 45,000 | – | – | (45,000) | **–** |
| Total designated funds | 45,000 | – | – | (45,000) | **–** |
| **General funds** | 28,764,045 | 4,444,532 | (3,409,462) | 45,000 | **29,844,115** |
| **Total funds** | 28,809,045 | 4,584,532 | (3,462,439) | – | **29,931,138** |

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

18b Movements in funds (prior year)

| | At 1 October 2019 £ | Income & gains £ | Expenditure & losses £ | Transfers £ | **At 30 September 2020 £** |
|---|---|---|---|---|---|
| **Restricted funds:** | | | | | |
| Restricted funds: | | | | | |
| Foundation Practice Rating Project | – | – | – | – | **–** |
| Total restricted funds | – | – | – | – | **–** |
| **Unrestricted funds:** | | | | | |
| Designated funds: | | | | | |
| Foundation Practice Rating Project | – | – | – | 45,000 | **45,000** |
| Total designated funds | – | – | – | 45,000 | **45,000** |
| **General funds** | 30,964,989 | 719,045 | (2,874,989) | (45,000) | **28,764,045** |
| **Total funds** | 30,964,989 | 719,045 | (2,874,989) | – | **28,809,045** |

Purpose of restricted funds

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

Purpose of designated funds

The Foundation Practice Rating Project (previously called the Index of Foundation Diversity, Transparency and Accountability) began during the current year. The designated funds held at the start of the year represent the contribution towards the project by Friends Provident Foundation which was approved by Trustees in September 2020. Agreements were entered into with the other partner trusts/foundations in late 2020/early 2021. Once these were signed and it was certain that the project would progress, the Friends Provident Foudation's contribution could be accounted for as a grant commitment from general funds (rather than as delegated funds).

19 Operating lease commitments payable as a lessee

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

| | Property | |
|---|---|---|
| | **2021** | 2020 |
| | **£** | £ |
| Less than one year | **17,600** | 19,200 |
| One to five years | **–** | 17,600 |
| Over five years | **–** | – |
| | **17,600** | 36,800 |

20 Legal status of the charity

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