

# Annual Review

A year in review  
2019-20

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# Board of trustees



Hetan Shah (Chair)



Joanna Elson (Vice Chair)



Kathleen Kelly



Abraham Baldry



Ann don Bonsco



Aphra Sklair



Patrick Hynes



Paul Dickinson



Stephanie Maier



Priya Lukka



Stephen Muers



## Our purpose

For a small organisation, Friends Provident Foundation creates many ripples of change in our quest for a fair economy, and 2019-20 was no different.

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. And we do all we can to embody the change we want to see. We invest in great social enterprises and use our money in line with our values.

Tomorrow, we'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 at [www.friendsprovidentfoundation.org](http://www.friendsprovidentfoundation.org).



# Chair's introduction

As a small funder with a big mission, the Foundation has worked to help shape thinking in the wider world of philanthropy, making the case for grant makers to take a systemic approach to thinking about the economy.

This is my last foreword as Chair after being in role for five years. It is fair to say that, over that time, Friends Provident Foundation has greatly changed. We have stayed upstream and focused on systemic level change through clarifying our vision to create a fair and sustainable economic system that serves society. Strategically we have moved from a focus on grant giving to a wider threefold strategy for creating change: grant making, our role as an investor and our ability to convene and communicate.

One of the most significant decisions of the trustees was that given the importance of our mission and the quality of the applications we were receiving we would start using some of our endowment to fund

projects. We have a wide portfolio – working across the spectrum of economics curricula, the media, think tank research, as well as supporting local and regional projects which may demonstrate new economic models. We have been pleased to see new funders enter this field including Partners for a New Economy; Thirty Percy, Laundes Foundation, Hewlett and Omidyar.

This was exemplified by our “ESG Investing Olympics”, where we partnered with others to put over £33m of investment funds to tender in a bid to drive up the quality of ethical investment funds. This led to over 60 proposals and ultimately the creation of a fund that sets new ethical standards by the winner: Cazenove.







IMAGE

**I'm also proud that we have been a leader in using our whole endowment for mission, including through impact investing, and shareholder engagement.**

Our external evaluation in 2018 by New Philanthropy Capital helped us reflect on our performance. It was clear that our move to core funding some key organisations had been welcomed, and that we were seen as a supportive funder. The evaluation spurred us to think more about how to strengthen diversity and racial economic justice, and this has started to change some of our funding decisions to widen our portfolio. The world continues to change around us. The pandemic has uncovered and exacerbated existing problems in our society and cast light on the nature of our economy.

We have sought to develop a learning and questioning culture at Friends Provident Foundation. There is greater recognition of the imbalances of the UK economy including regional inequalities and precarious and low paid jobs which oftendo not reflect their social value. The spectre of unemployment is back.

Hetan Shah (Chair)

# What we set out to achieve this year

Trustees set the Foundation these objectives for 2019–20:



## Develop a fair economy

To become more outward focused in this phase of our programme, to connect more effectively with others in the field to achieve our mission

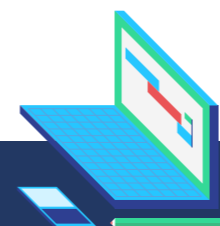
**Mostly achieved.** Milestones related to the building of staff skills, a coherent digital strategy, events, jointly funded projects, and social media engagement were achieved; the recruitment of bell-weather commentators was not progressed. We will retain this objective and build on it in 2020–21.



## Resources

To focus our resources on the projects most likely to be transformational.

**Achieved.** Internal systems were put in place, with regular budget monitoring, grants spend management and sharpened funding prioritisation/ recommendation. However, although we have achieved our aim of making our funding decisions more focused on potentially impactful projects, we cannot yet assess whether these projects will achieve transformational change.



## Learning

To re-orient the Foundation's governance and operations toward learning.

**Partly achieved.** The Promising Approaches strand of funding was implemented, with two projects funded under that heading to enable the maintenance of momentum. We have attempted to more actively learn from the grants we have made and synthesize that learning into new communications outputs. Our resources committee considered a funder benchmarking scheme (not progressed). The staff/trustee learning sessions were transformed into 'lunch and learn' sessions, trialled in summer 2020.



## Investment strategy

To launch the Foundation's investment strategy with a new investment manager to better align our capital with our mission.

**Achieved.** The milestones for the mainstream investment agenda have been wholly achieved, although the timescale was longer. The media coverage and sector impact appear to be high. The social investment objectives were not met, but we will carry that forward to 2020–21.





### Governance

Ensure an effective continuance of good governance through Trustee and Chair recruitment processes.

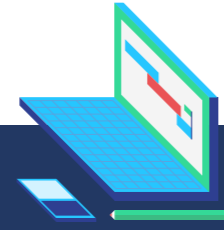
**Achieved.** New Trustees were recruited through a very successful process with an excellent response; induction discussions and initial learning sessions were carried out. All are contributing well to governance processes.



### Metrics and monitoring

To develop methods to track progress towards a fair economy.

**Not achieved.** This has not been achieved for the second year. A small working group of staff & Trustees are considering next steps.



### Staff development

To enable staff to develop personally and professionally.

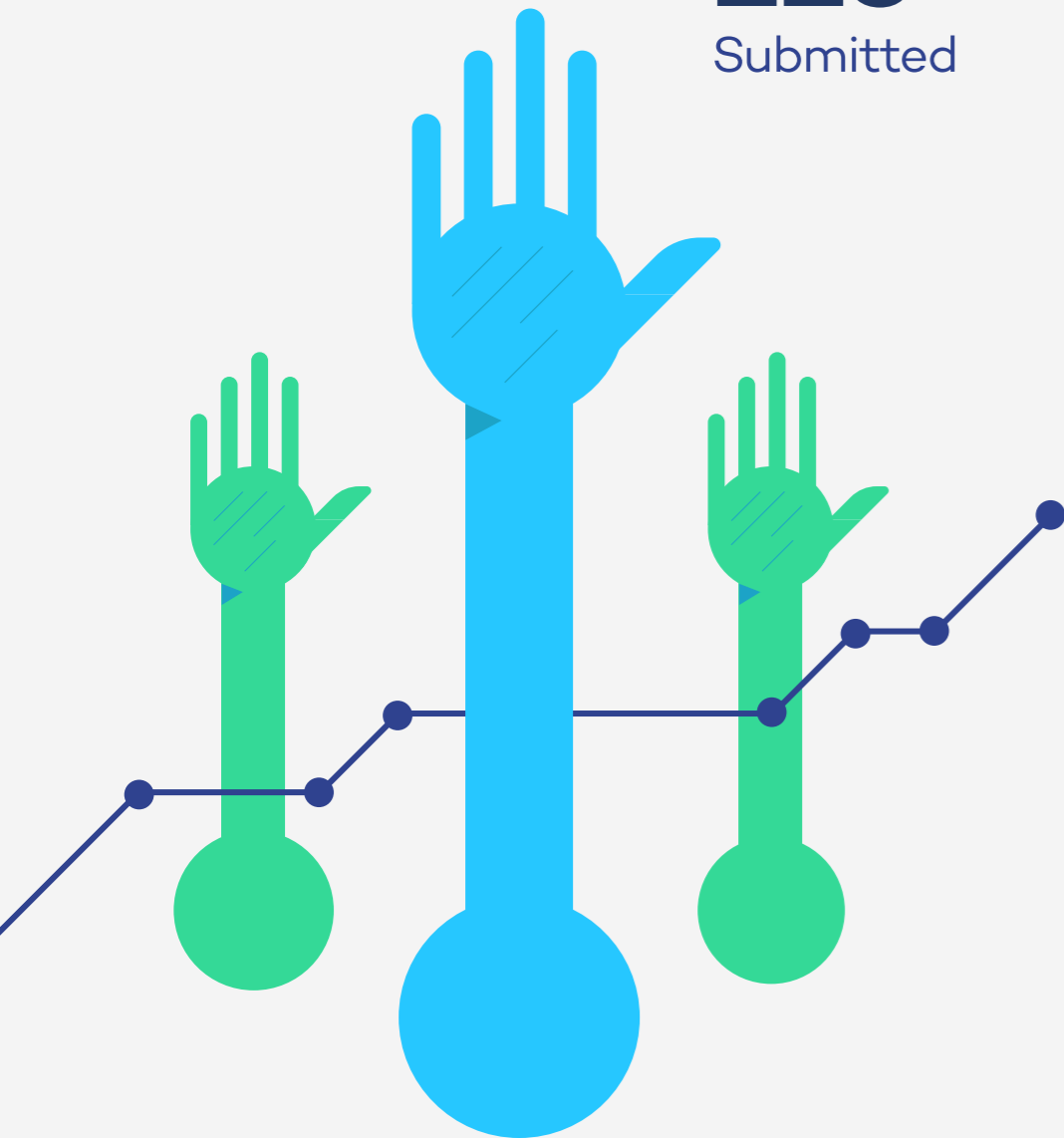
**Partly achieved.** Discussions about development were carried out in appraisals, and changes were considered by the resource committee (ongoing). The overarching staff development plan and organisational/personal metrics were not achieved. This will be continued within the objectives for 2020-21.





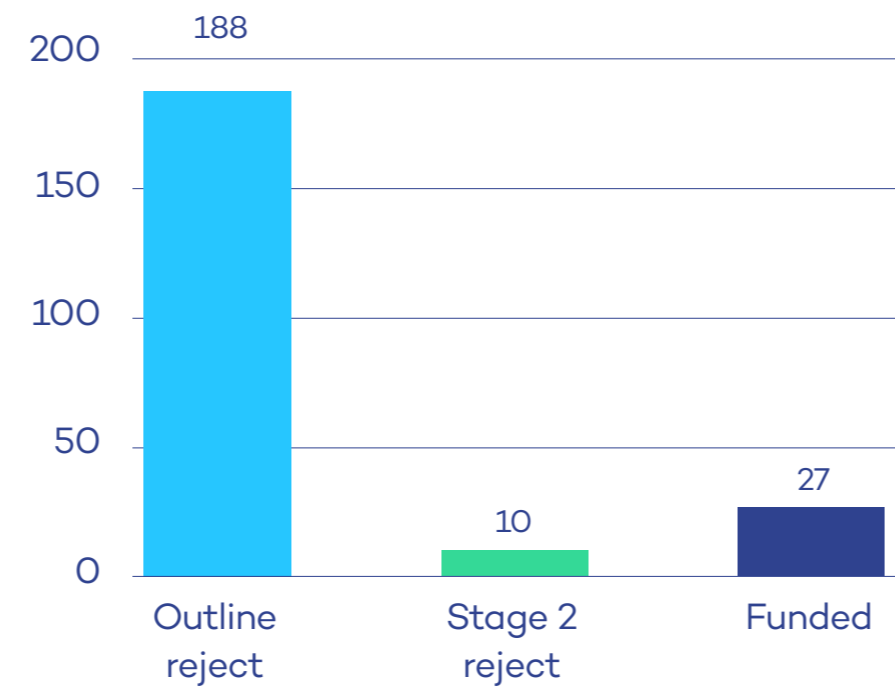
# Outline applications 2019-20

**225**  
Submitted

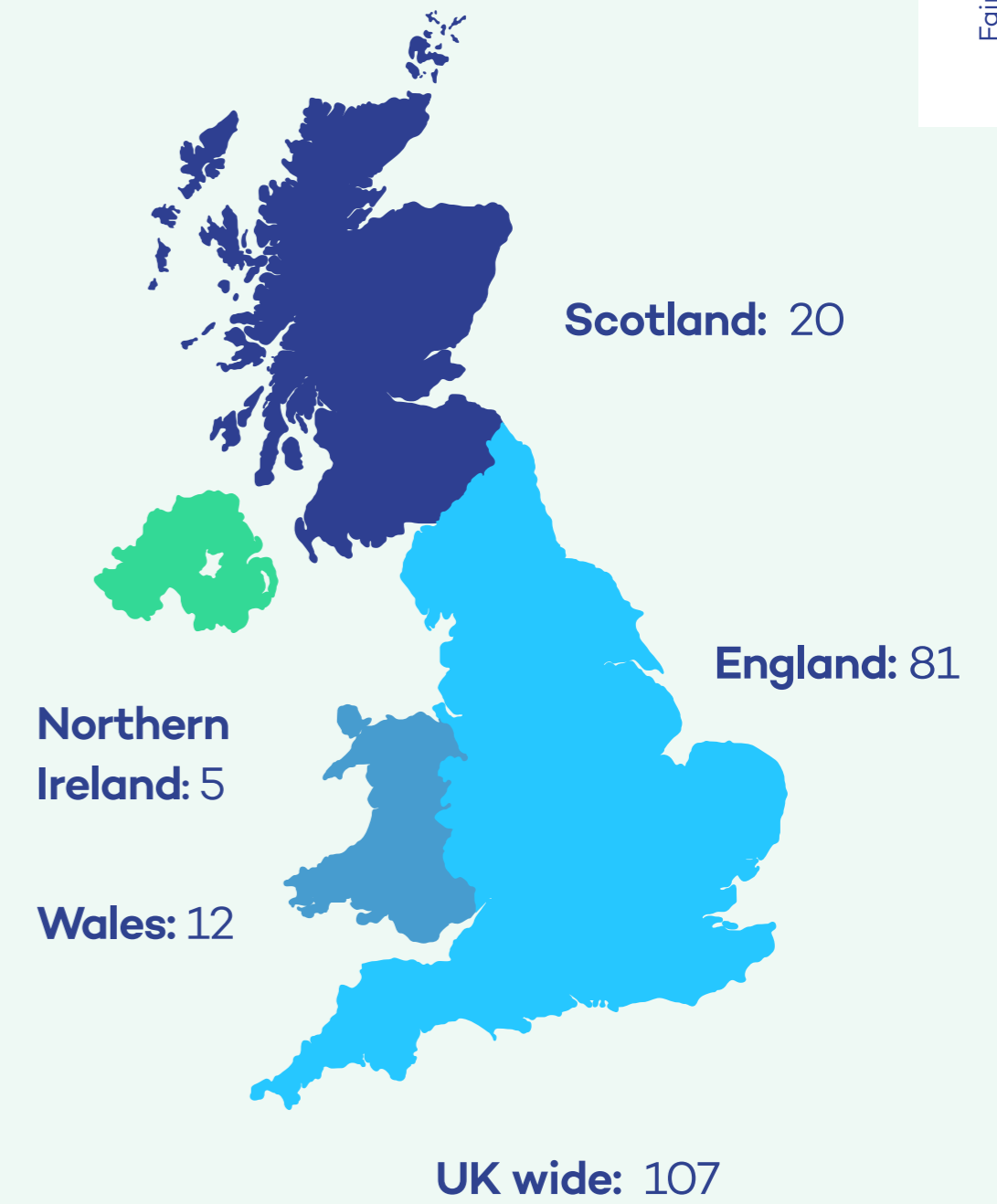


**£28m**  
Value of applications

## Outcome of applications

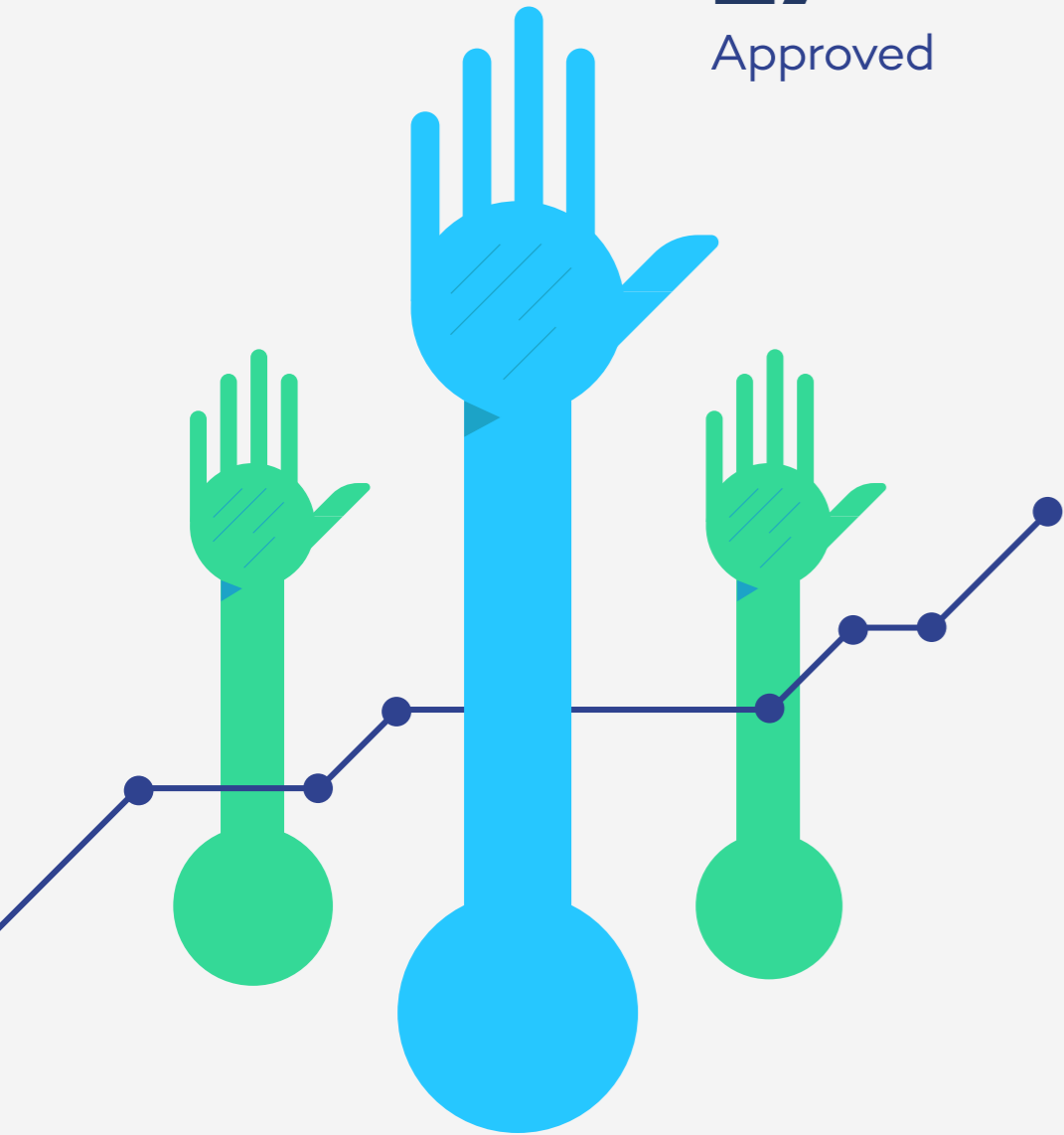


## Geographical focus of applicants

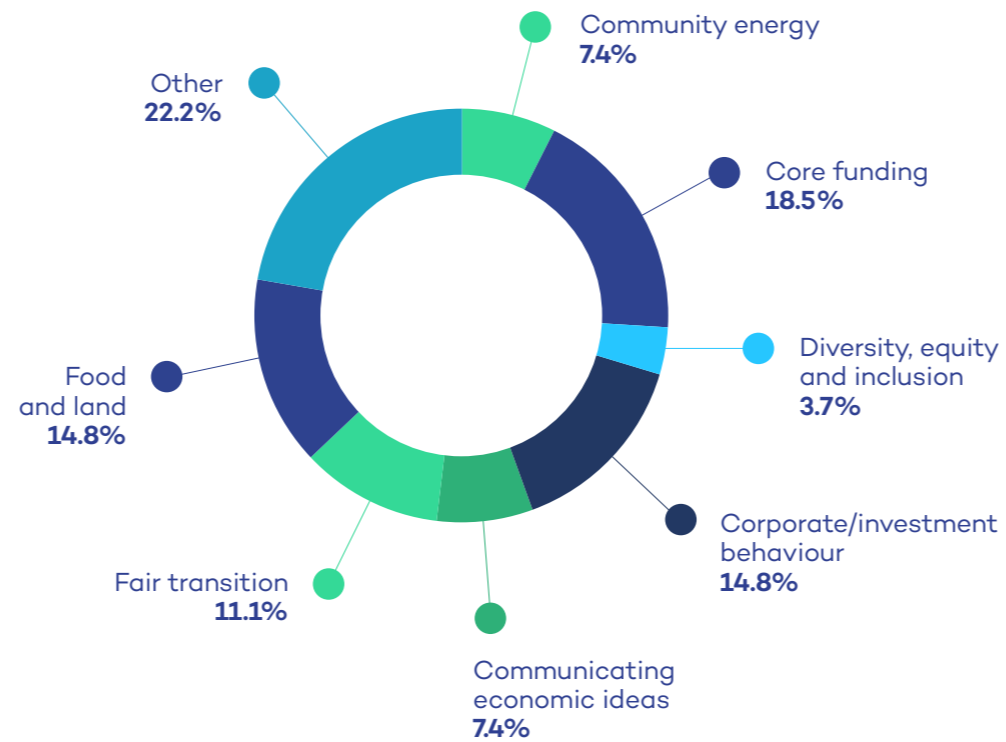


# New grants 2019-20

**27**  
Approved



## Thematic focus of new grants



## Geographical focus of new grants



## New grants

A total of 225 outline (first stage) applications were submitted at a value of £28 million, in comparison with 154 with a value of £17.7 million in 2018–19.

In total, 27 new grants were made, resulting in commitments worth £2.3 million. Forty-four per cent of the successful applicants were from organisations that had not received a grant from the Foundation before.

The issues addressed were:

- Community energy
- Core funding
- Diversity, equity and inclusion
- Corporate investor behaviour
- Local development
- Low carbon economy
- Tax
- Community assets

## Unrestricted funding

We also made six grants for unrestricted core funding. This core funding can be vital in helping grantees to develop into strong organisations with a broad and substantial management structure.

We continued to develop our strategy of providing unrestricted funding for organisations with whom we have strong working relationships and a close synergy in terms of strategy and mission.

Our aim is to empower these organisations to work flexibly, take more risks in pursuit of their mission and have the capacity to respond to changes in the external environment.





# Projects funded this year



## Behavioural Insight Team

A toolkit to tackle inequality

Amount: £10,000

A meeting of New Economy funders to explore how to rewrite the rules in designing an economy for the 21st Century, and philanthropy's role in building the social, institutional, and political infrastructure needed to ensure that this transition results in real and positive change.



## Centre for Local Economic Strategies (CLES)

Core funding 2

Amount: £100,000

Core funding in support of 'CLES' strategy.



## Energy Garden

Transition transport to a low-carbon sustainable model

Amount: £97,000

Energy Garden invests in renewable energy to fund community development. Their aim is to support transport operators to transition them to low-carbon energy and provide community groups access to rail-side spaces. Their FCA-approved investment model (£100 million) aims to deliver environmental & social change with the revenue from energy sales.



## Fairshare Educational Foundation (operating as Share Action)

Developing the legislative case for responsible investment in the run-up to COP 26

Amount: £80,000

Too often, UK policy development around sustainable finance is conducted in piecemeal fashion. ShareAction wants to initiate the enactment of a Bill bringing together all aspects of responsible investment which will have a transformational impact and propel the UK finance sector towards a more sustainable pathway.



### Finance Innovation Lab

Core funding 2

Amount: £100,000

Core funding in support of Finance Innovation Lab's work.



### Forum for the Future

Enabling and empowering community-led fair transitions to resilient, net-zero carbon economies

Amount: £190,000

Achieving net-zero by 2050 means the end of fossil fuel energy. To enable rapid, resilient transitions we aim to: Empower at-risk communities to design & implement transition plans; Engage business in piloting pathways to fair transitions; Show that multiple sectors can benefit from engaging communities in their netzero pathway; Develop positive narratives to shift mindsets around decarbonisation; Support scaling across sectors & activate wider levers for change.



### Institute of Welsh Affairs (IWA)

Our Land

Amount: £10,000

This short piece of work will fund engagement with key stakeholders to explore attitudes & motivations around and barriers & enablers of community involvement in land use. The end output will be a report and launch event which brings participants together.



### Institute of Welsh Affairs (IWA)

Core funding: Supporting a successful, clean, green and fair economy for Wales

Amount: £100,000

IWA recent policy work has been funded on a per-project basis. They want to increase our core capacity to: 1. Develop, deliver and communicate high quality, responsive economic policy analysis and influencing 2. Run economic policy events with communities and partners to develop and share our intelligence on what matters most in enabling successful local economies 3. Resource the development of future policy research projects.

## Local Trust

### Local Trust

Enabling community wealth building in the most 'left behind' areas

Amount: £15,000

To extend and develop Community Wealth Fund Alliance's campaign for a new independent permanent endowment to invest in the most 'left behind' neighbourhoods.



### London School of Economics

Implementing the UK investor roadmap for a just transition

Amount: £141,220

Our goal is to stimulate and support system level innovation in the UK that will enable investors and the financial sector more broadly to deliver a just transition. The project will focus on achieving positive impact through shareholder engagement, capital reallocation (including place-based assets) and policy advocacy at the local and national levels.



### London School of Economics

Financing a just transition 2.0: Implementing the UK investor roadmap

Amount: £58,276

This funding proposal is designed to enable the early implementation of the Investor Roadmap for a Just Transition in the UK during the six-month period from October 2019 to the end of March 2020. The core goal of this funding is not just to maintain the momentum that has been achieved but to translate this into practical action.



### Manchester Metropolitan University

Teaching Economic Policy Institutions

Amount: £38,000

This project aims to fill a major gap in economic understanding, by developing new teaching resources on economic policy-making institutions, on the basis of an original appraisal of the state of knowledge in this regard within the economics profession. The project will make a unique contribution to the development of economics teaching.





### Muslim Women's Council

Enabling community wealth building in the most 'left behind' areas

Amount: £150,2008

We want to establish a 'Think + Do Tank' that engages Muslim women on their lived experience of poverty, barriers to employment, enterprise and finance; to take them from the margins to the heart of designing better economic systems and policy that benefit them. and others in similar situations to them.



### New Economics Foundation

Empowering stranded communities

Amount: £180,000

The New Economics Foundation wants to work on the ground in communities heavily reliant on high carbon employment to build local just transition plans that tackle the climate crisis and ensure a sustainable and resilient economic future.



### New Economics Foundation

Core funding 3

Amount: £200,000

Core Funding in support of NEF's mission.



### Ownership Futures

Just Capital: Rewiring asset management to drive systemic change

Amount: £80,000

We want to undertake a three-part project analysing the asset management industry: its role in shaping FTSE 350 company behaviour, the impact of long maturity bonds issued by fossil fuel companies on pension funds and the sector's role in driving corporate consolidation during the coronavirus crisis.



**Power for the People Ltd**

The campaign for the Local Electricity Bill

Amount: £10,000

We are campaigning for the Local Electricity Bill to become law. This would empower communities to set up locally renewable energy companies, unlocking huge potential for local economies across the UK to benefit from a just transition to renewables.



**Public Interest Research Centre**

Emergency core funding (Covid-19 response)

Amount: £10,000

Core funding in support of PIRC's strategy.



**Resolution Foundation**

Workertech

Amount: £100,000

To create the UK's first social investment fund aimed at developing and growing ventures seeking to harness technology to improve the prospects, power and career-choices of workers, particularly those on low-pay or in insecure employment.



**Stir to Action Ltd**

New economy programme

Amount: £2,500

Small grant in support of Stir to Action's New Economy training programme.



### Sustain: The Alliance for Better Food and Farming

Food systems for 1.5 degrees emergency

Amount: £90,000

Building on prior influential work, Sustain will play a game-changing, catalytic role in achieving this and is uniquely placed and highly motivated to do so.



### Fair by Design

Core Funding

Amount: £60,000

Core Funding in support of the Fair By Design Campaign.



### The Centre for Innovation in Voluntary Action

Comedy, seriously?

Amount: £5,000

We want to use humour, satire and parody to expose the contradictions with which those in the finance system live every day, specifically those in large-scale asset management and asset ownership.



### The Green Valleys (Wales) CIC

Project skyline: Promising ideas – follow-on funding

Amount: £6,300

Promising Ideas Funding, identified by staff, to maximise the impact of the original successful grant and to ensure momentum is not lost in the search for next stage funding from the Welsh Government.







### Landworkers' Alliance

Building resilient local food systems:  
Developing farmer-led innovation  
and skills for direct sales

Amount: £144,000

Our project will be based around 4 strands of work: 1. Sharing innovative examples of direct sales and local supply chains models; 2. Developing new models through collective analysis by groups of farmers; 3. Farmer-to-farmer exchanges to visit and learn about successful models; 4. Direct sales and local supply chain support through advice, handbooks and connecting producers.



### Trade Justice Movement

Building a UK movement for trade deals that support climate goals

Amount: £118,000

Trade deals have the potential to support efforts to tackle climate change but, for too long, they have instead created barriers: contributing to increased greenhouse gas emissions, preventing the dissemination of green technology and hampering governments' ability to develop local green industries. This project will allow us to hone our proposal and build an alliance behind a low-carbon vision.



### Wellbeing Economy Alliance (WEAll) Scotland

Building a wellbeing economy

Amount: £198,355

Scotland, a small country with huge ambition, stands poised to accelerate the change required to build a wellbeing economy. To realise this ambition & ensure the pioneering but fragmented work already underway achieves more than the sum of its parts, requires coordination & strategic direction..



# What we learnt from our grants

Nineteen grants were concluded, and these generated invaluable learning, including the following highlights.

## Grant making practice

- Flexible management of is important in allowing grant holders to adapt and evolve their projects in line with external circumstances. An enabling and supportive approach should focus on the end objectives rather than rigidly sticking to the original plan.
- Trust is a key part of the grant-making relationship. It is vital that grantholders feel safe enough to tell the Foundation when things aren't going well. Even in longstanding relationships it is important to maintain and (re)build trust over time.
- Unrestricted funds are particularly valued by grandholders for the stability and flexibility they provide.
- There is an important role for the Foundation as funders to play in challenging lack of diversity in governance, voice and engagement.
- Sometimes when a project isn't working there can be value in allowing the grantholder more time to find another way- as much can be learnt from what didn't work as what did.

## Changing the economy

### Community Energy and the Energy System

- Communities are still largely confused about how they fit into the energy system - whilst different parts of the system regularly refer to community energy there is a feeling amongst some community energy organisations that this is lip-service.
- Community energy organisations seeking to engage in new technologies face challenges. Developing heat distribution systems is challenging, and retrofit is particularly expensive, technically difficult and hard to get investment in. But in order to achieve zero carbon, the current housing stock will need to be dealt with. Policy changes may be needed for this to happen at scale.

### The food economy

- Whilst often cited as a problem in the system, supply chain intermediaries (e.g. agents, wholesalers and distributors) in the food system add value. They can perform vital functions in a supply chain. The intense price pressure felt by all involved has squeezed out excessive margins from links in the food supply chain.
- Local authorities have an important role to play in building the local/sustainable food market and can address some of the problems within food supply chains.





## Work and pay

- Many workers lack power in the current economy and this is a fundamental barrier to the creation of “good jobs” (well paid, high in agency, flexible, secure). Addressing this lack of power is a prerequisite for tackling inequality and social injustice
- Workers will face a range of challenges in the future labour market due to trends such as automation and deskilling of roles predicted as a result of technological change. Mitigating future challenges will require workers to be empowered with agency over technologies such as Artificial Intelligence.
- A fairly simple ‘fair pay framework’ could have a radical impact on company pay decision making and ensure all employees share in the success of companies.
- Systemic thinking is crucial – the four policy systems that affect workers and good work outcomes (the state, finance, firms and civil society) all require joined-up systems-level thinking to bring about change.



## The investment system

- Most savers are unaware of the impact their pension has on the world around them, despite the fact that the value of our pensions makes up more than half of all investments made in the UK.
- Many of the large UK pension funds do not prioritise stewardship. Government needs to incentivise better stewardship by these asset owners.
- More than half of asset managers have a limited approach to managing ESG risks. The combined assets under management of poorly performing managers are \$36 trillion – greater than the GDP of the US and China.
- European banks’ performance on climate change is inadequate as demonstrated by the financing of carbon-heavy energies like coal, tar sands and other fossil fuels.
- Efforts to increase the scale of ‘green financing’ are slowed down by challenges to define what qualifies as ‘green’, a lack of data and high transaction costs.
- Large mainstream investors are more resistant to collective shareholder engagement on social issues such as fair pay, than on environmental issues. Often, large asset managers have not themselves adequately resolved issues such as pay gaps and very high executive pay.
- Companies are failing to meet investors’ demand for data about their most vulnerable workers (e.g., temporary/ supply chain workers).

**Most savers are unaware of the impact their pension has on the world around them,**



# How we engage with investors through our market rate portfolio

We take an integrated approach to our mission and capital base, and use our endowment as a tool for change, including through social investments, asset manager and shareholder engagement. We focus our efforts on strategic themes to underpin and focus our proactive work, drawn from what we have learned from, or key developments in, our programme areas.

## Building economic resilience through engaging with the energy market and support for community energy

We continue to engage with the energy utilities market, utilising outputs from grant recipients Forum for the Future, Influence Map and London School of Economics' Grantham Research Institute.

The Foundation has partnered with Royal London Asset Management and Shareholders for Change to engage with incumbent energy utilities to embrace the transition to decarbonised, decentralised and democratised energy (the '3D transition'), advocating business model resilience, a just transition strategy, alignment of lobbying and community energy partnerships.

Throughout 2020, meetings have been held with Centrica, Scottish Power, EDF, RWE, EOn and SSE. In response to our engagement, SSE announced at its AGM that it will adopt a formal just transition strategy that integrates socioeconomic factors into the company's decarbonisation. This will be a sector first and looks to mitigate the negative impact and enhance opportunities for workers, communities, supply chains and consumers.

We are in the process of supporting SSE to develop its strategy, involving grant recipient LSE.

Engagement has also been undertaken with Drax Group, focusing on a just transition strategy and risk management. We have led engagement on behalf of eight large asset managers and asset owners, including a meeting with senior management and a tour of the Drax power station in early 2020.

## Direct shareholdings

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





# Investing directly in alternative practices

## Renewable community energy

**Egni Solar Co-op** is in the process of installing up to 5MW of rooftop solar on over 200 sites across Wales, including council buildings, university campuses, primary schools, community centres, breweries, and sports clubs. It is the largest ever roll-out of solar PV in Wales. Smaller sites such as primary schools and community centres will receive the energy for free as part of the co-op's community benefit. The Foundation invested £100,000 in a community share offer.

**Riding Sunbeams Apollo Ltd** is a joint venture between Community Energy South, the climate charity Possible, Thrive Renewables and the Foundation. It seeks to decarbonise the transport system by developing community-owned renewable energy assets and using the electricity generated to power trains and other forms of transport. Uniquely positioned to unblock

barriers to community energy, it could be a catalyst for 200MW of clean energy across the UK. The company is the first to embed the facilitating of a just transition into its legal purpose. The Foundation invested £99,960 in 2020 for 5 per cent equity. In addition, a repayable grant of £100,000 that had been awarded in March 2019 was converted to a further 3 per cent equity holding.

**Energy Garden Ltd** is a community benefit society hoping to raise funds to develop and acquire solar PV arrays. The income generated will be used to transform 50 London Overground railway platforms and stations into community gardens and food-growing plots and to support volunteers and youth training. Its intention is to support resilient communities, improve air quality and well-being, and raise awareness of community energy. The Foundation has invested £50,000 in a future bond offer.



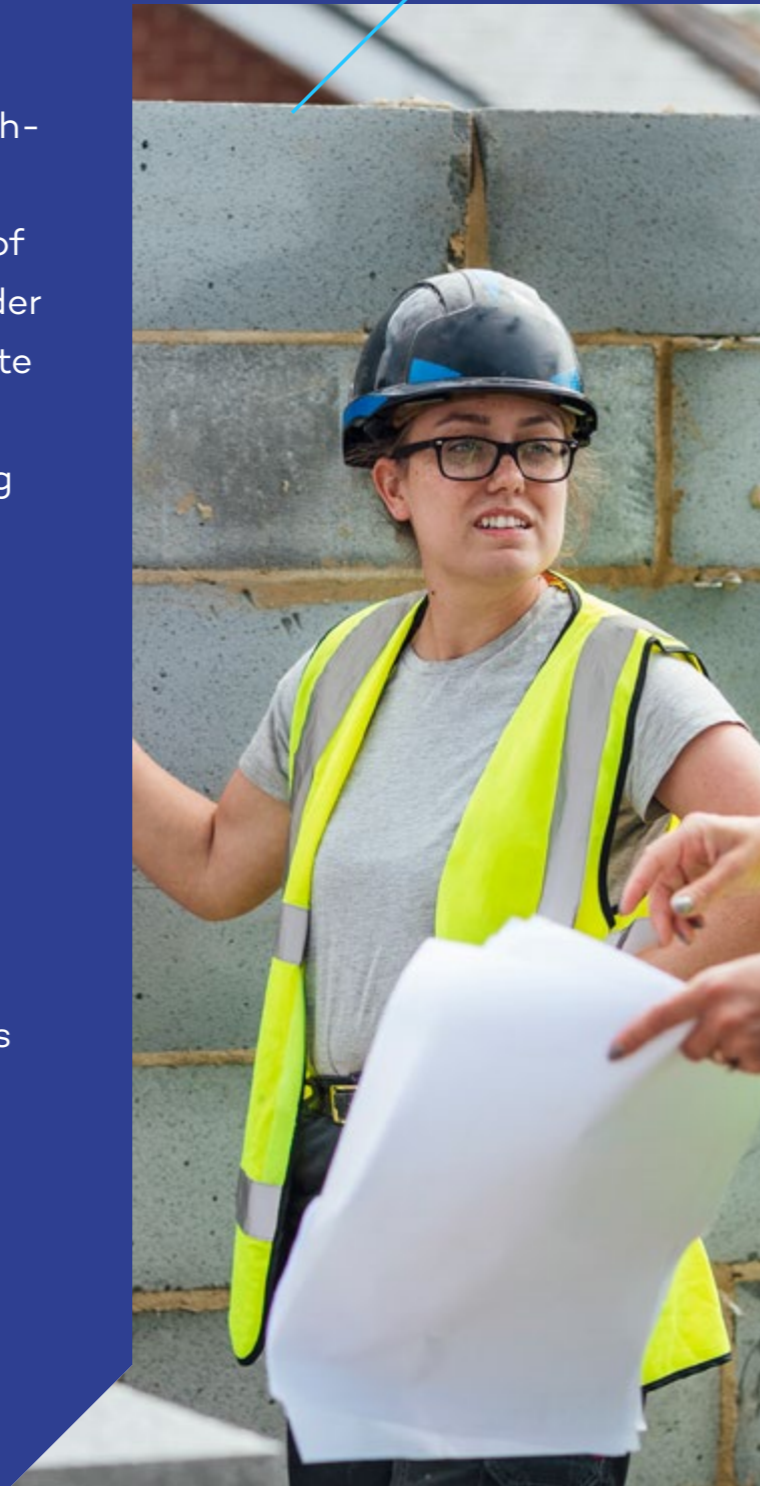


## Gender equality

**Stichting Equileap Foundation** is a Dutch-based foundation that has established Equileap Information Services as a way of addressing gender equality through gender lens investing. Equileap aims to accelerate progress towards gender equality in the workplace as a powerful lever for tackling inequality and poverty.

To do this they use three strategies: knowledge – providing detailed data on each company’s gender equality performance; investing – using the data to create new, gender-sensitive financial products and building a network of well-informed gender lens investors; and finally donations – encouraging investors to share their returns and using any net profits from this work to create a sustainable source of funding to tackle the root causes of gendered economic inequality.

The Foundation invested £100,000 in 2019, as a ten-year loan.



## The Foundation’s other social investments

### Impact investment fund: Snowball Impact Management

In 2017 the Foundation became the third partner to join Snowball LLP, a ground-breaking new 100% impact investment fund. In 2020, Snowball LLP restructured to create Snowball Impact Management and Fund (GP/LP structure) to allow new investors.

**Snowball applies a social and environmental impact lens to all its investment analysis, reporting and decision-making.**

The purpose of the new company, as embedded in its Articles, is to ‘change

behaviours in capital markets so that all capital is invested for social and environmental as well as financial returns’. In 2017, our £2 million investment in Snowball included cash and the transfer of ownership of six of our direct social investments, including Thrive Renewables, Awel wind co-op, Ethical Property Company, and Big Issue Invest – Social Enterprise Investment Fund 2.

### Ethical investment club: Ethex

Ethex is a non-profit ethical investment club that 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 ethical investors. The Foundation invested £50,000 in 2013, structured as a loan. A repayment of £10,000 was made by Ethex in October 2018.

# 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 compared to pre-industrial levels.”

We made commitments covering investments, grants, and operations, which are available on the website, including to report annually on our progress against these commitments as part of our annual report.

## In 2019/20:

- We extended our investment policy to exclude investment in companies involved in: the extraction, production and distribution of fossil fuels, and similarly high carbon fuels; unsustainable harvest of natural resources, e.g. deforestation; and intensive farming methods that degrade the environment, e.g. palm oil.
- We used our influence as a shareholder to ‘promote a just and net-zero carbon transition, calling for the adoption of business models that are consistent with keeping global heating below 1.5°C’. This included co-filing our first ever shareholder resolution in April 2020 at the French oil company Total. The resolution was led by Shareholders for Change member Meeschaert Asset Management and co-filed by 11 investors.





The Foundation was the only UK co-filer. The resolution called on Total to adopt a low carbon transition plan with medium and long-term targets aligned with the Paris climate agreement and covering absolute greenhouse gas emissions. It attracted 17% of the shareholder vote at the AGM on 29 May 2020.

Throughout 2020, we have also been using our influence to engage energy utility companies operating in the UK to develop just and net-zero transition strategies. See page 22.

- We have particularly favoured investments in “companies whose business model focus is on net zero carbon transition”. In September 2020, we invested in Riding Sunbeams, which seeks to decarbonise the transport system by developing community owned renewable energy assets and using the electricity generated to power trains.

- 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, the Foundation gave a grant of £180,000 to the New Economics Foundation for a project called ‘Empowering post carbon communities’, and a grant of £190,000 to Forum for the Future for a project called ‘Enabling and empowering community-led fair transitions to resilient, net-zero carbon economies’. A further grant of £140,000 was given to the London School of Economics Grantham Institute for its ‘Investing in a Just Transition’ programme.

- Whilst the pandemic has disrupted the delivery of some operational commitments, we have:

- Reduced our catering carbon footprint by switching to meat-free catering
- Considered positive incentives for reduced and sustainable travel in staff holiday policy and signed up to the ‘Climate Perks’ commitment from climate charity Possible to offer staff paid ‘journey days’ to encourage low-carbon holiday travel
- Commenced engagement with our property manager and supported them to introduce building-wide recycling and basic energy efficiency measures
- Reviewed our travel policy to privilege public and sustainable transport

**We will build upon the progress made in 2019/20 and continue to deploy our resources and use our influence to help accelerate the transition.**







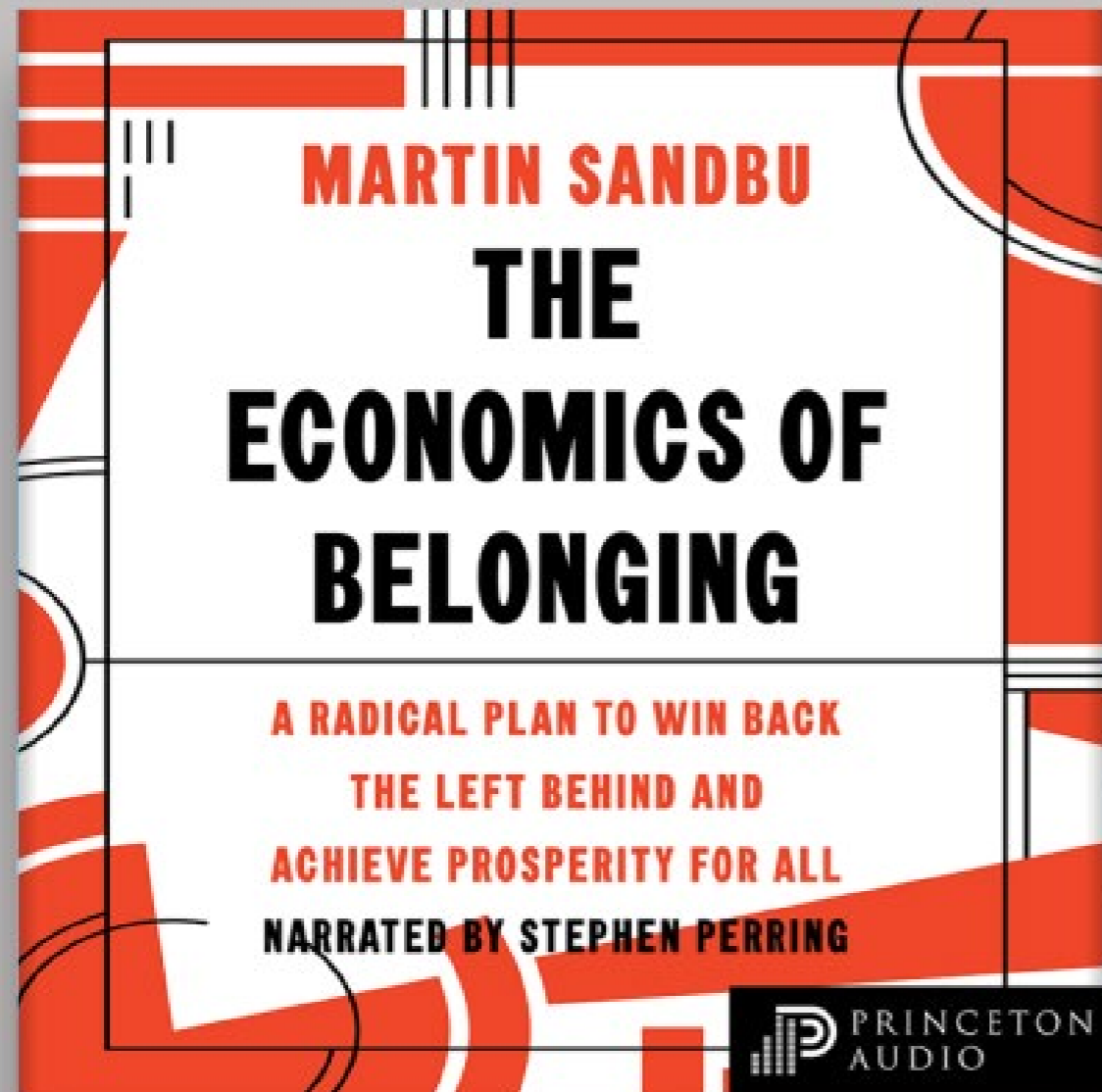
## Convening and communicating with people to share lessons from their work

Grantholders, partners and investees had the chance to network, meet the Friends Provident Foundation staff team and Trustees, and to share approaches and ideas.

The conference programme included a briefing on our new programme, Developing a Fair Economy, and highlighted our focus areas of diversity, ownership and fair transition to a new economic model, illustrated by our grantholders' work.

At the start of the year we ran a campaign to recruit new Trustees to the Foundation, successfully communicating an important message that we particularly sought perspectives that would challenge orthodox views.

In March 2020 we implemented a new communications plan to support the appointment of a second asset management company. This came to fruition in the ESG Investing Olympics, an event that took place to some acclaim at the Royal Institution, London, shortly before the Covid-19 lockdown began. Five shortlisted companies presented their credentials to a panel and an audience of around 100 delegates, and communications were extended more widely through media coverage and social media.



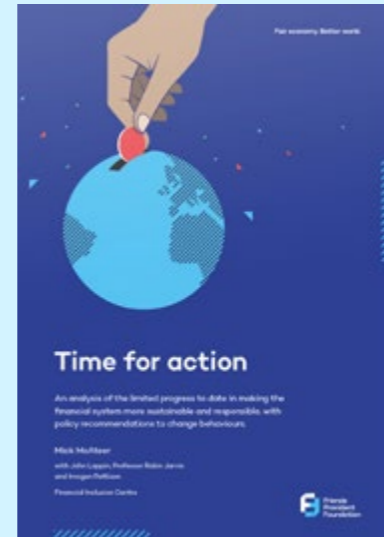
Shortly after this, the global pandemic hit and, as we took stock, it became clear that the need for strong digital provision had accelerated.

We also reviewed our website and considered whether it worked for our audiences, and how we might enhance its functionality, performance and presentation, in the knowledge that an active and vibrant digital media presence is key to attracting support, building relationships, connecting with likeminded individuals and sharing messages.

During the summer, FT journalist Martin Sandbu published his book *The Economics of Belonging* with the support of the Foundation's increasingly well-regarded Journalist Fellowship programme, offering successful applicants financial and editorial support over one year to produce a body of work that communicates alternative, economically coherent ideas in an engaging way. Although many of the launch events for *The Economics of Belonging* were cancelled due to the Covid-19 lockdown, nevertheless an impressive line-up of virtual events drew an international audience. As the Foundation's communications year drew to a close, we found ourselves similarly turning to the prospect of virtual events as we considered our own convening options against the continuing backdrop of the pandemic.

# Reports published in 2019-20

The wide dissemination of our funded work underpins our charitable aims and public benefit objectives, and during 2019-20 we were pleased to support several publications, all of which are available through the Foundation's website at: [www.friendsprovidentfoundation.org](http://www.friendsprovidentfoundation.org)



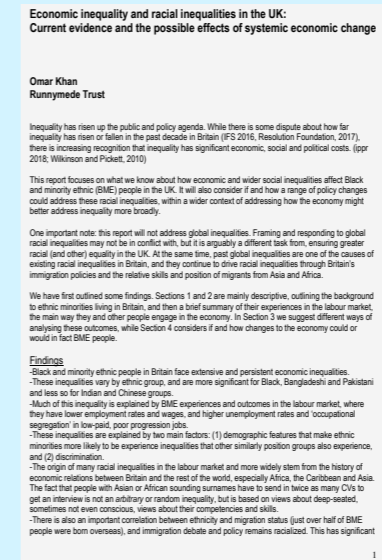
## Time for Action

Mick McAteer with John Lappin, Professor Robin Jarvis and Imogen Pattison, Financial Inclusion Centre



## Shortening Supply Chains: Roads to regional resilience

The Soil Association



## Economic Inequality and Racial Inequalities in the UK

Omar Khan, Runnymede Trust



## The Annual Report and Accounts 2018-19



# The future: Our plans for 2020–21

The wide dissemination of our funded work underpins our charitable aims and public benefit objectives, and during 2019–20 we were pleased to support several publications, all of which are available through the Foundation’s website at: [www.friendsprovidentfoundation.org](http://www.friendsprovidentfoundation.org)

1

To deepen our outward focus and collaboration to connect more effectively with others in the field to achieve our mission.

2

To support individual staff resilience and productivity to achieve personal and organisational objectives.

3

To develop effective team working approaches across a range of contexts.

4

To support resilience in our stakeholder organisations, including reflecting on the role of our funds, through grants, investments, and contracts.

5

To strengthen the integration of investment in our strategy and wider ways of working.

6

To develop metrics and monitoring methods to track progress to a fair economy.

7

To ensure our new approaches are developed alongside our ongoing climate emergency commitment and are congruent with diversity and equity.



# Our policies, governance and operations

## Ethical investment policy

In September 2019 we updated our investment policy and principles, setting out our approach to generating social and environmental returns in our market-rate portfolio. It includes: “areas that we will particularly favour in our investments wherever possible; areas where we will use our influence as a shareholder, working alone and with other investors, to encourage changes in corporate practices that serve our mission; and areas and corporate practices in which we will not invest because we judge that they are profoundly inconsistent with our mission”.

Our funds are in responsible investment funds that are screened and undertake shareholder engagement activity.

Trustees, taking into account the cash flow requirements, potential investment funds, the cost of fund management and their decision to invest ethically, invest the Foundation’s portfolio in a range of funds managed by BMO Global Asset Management Limited: Responsible Global Equity Fund (Inc) (Share Class 4), Responsible Sterling Bond Fund (Inc) (Share Class 2), and Responsible UK Equity Growth Fund (Inc) (Share Class 4).

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

Trustees have developed their 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 is available on our website.

We continue to work with other trusts and foundations in the Charities Responsible Investment Network, which is a project of ShareAction UK, supporting a growing number of trusts interested in being more effective stewards of their resources. We are also members of a wider network of charities and other organisations in the Church Investors Group, which is supported by CCLA and Shareholders for Change.

## Using our resources – spending capital as well as income

Trustees believe that the challenges the world faces are formidable. Creating a responsive and resilient economic system that forms part of the solution to these challenges will require all our effort and resources to achieve. Considering this, Trustees took the decision that the Foundation can spend its capital as well as its income in pursuit of our mission. Trustees actively review both strategy and resources to manage the risk of this approach

## Management and advice

During the year, the Bank of Montreal (BMO) continued to act as investment managers with discretion to manage the Foundation's funds within agreed investment objectives in terms of asset allocation and investment performance. BMO, through its group operations, ensures that all the shareholdings of the Foundation

are voted at the general meetings of investee companies in accordance with their established corporate governance guidelines. Foundation staff and Trustees are in active discussion with BMO on the further development of those guidelines. To support Foundation staff and Trustees in their commitment to the responsible use of its assets and as a means of sharing our practice, the Foundation is a member of the Charities Responsible Investment Network.

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

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

## Climate risk and our investments

Whilst the Foundation is not primarily focused on environmental concerns, trustees are mindful of the view of a wide range of experts that climate risk is arguably the biggest risk to economies today. We wish to safeguard the Foundation's capital with regards to both stranded asset risk (risk to particular sectors that are carbon-intensive) and, potentially even more important, climate-related systemic risk or risk arising from general economic damage.

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



# Key financial data

## Charitable activities to 30 September 2020

	Total 2020 (£ '000)	Total 2019 (£ '000)
Charitable activities	2,800	3,363
Cost of generating funds	15	6
Governance costs	60	63
<b>Total</b>	<b>2,875</b>	<b>3,432</b>

## Balance sheet at 30 September 2020

	Total 2020 (£ '000)	Total 2019 (£ '000)
Investments	31,452	34,808
Other fixed assets	4	4
Net current liabilities	(1,430)	(2,099)
Long term creditors	(1,217)	(1,748)
<b>Total</b>	<b>28,809</b>	<b>30,965</b>





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