

Annual Report

2017-18

A year in review



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Chair's introduction

In 2017–18 we are using our annual review to look more widely at our progress. We had our work independently reviewed by New Philanthropy Capital. They assessed our contribution to change against nine key outcomes.

Their report concludes that: Over the last five years, Friends Provident Foundation has played a significant role in developing a nascent field that is contributing to a fairer and more sustainable economy. The success of its grant making depends on its high-risk appetite, flexibility, openness, and genuine partnership approach. The Foundation has used its assets in a targeted way to support its mission: convening grantees to share learning, sharing insights with other funders, aligning its mainstream investment strategy with its mission, and engaging directly with investors.

There is much to be pleased with in terms of what we have achieved. But the evaluation also lays out some future challenges.

The report questioned whether our work should continue to be framed in terms of 'economic resilience'. It made sense after the 2008 financial crash, but now we may want to rethink and use terms such as 'fair' and 'sustainable'. This is something we are reflecting upon as a Board.

Another challenge, which I am animated by personally, is that there are very few funders in our area of interest. Therefore, we are keen to help other foundations recognise the importance of economic change, and that this may be a way to move upstream of some of the problems they currently

focus upon. We have been pleased to be developing some partnerships, including with Partners for a New Economy, but there is much more to be done.

The Foundation also needs to take more seriously the question of marginalised groups. Do our interventions support the poorest? How can we ensure our work gives adequate consideration to issues of gender and race? What regional biases might there be in what we do? We need to keep taking a self-reflective approach, and critically evaluating our work against our ideals.

All of this needs to be done in a real-world context. The Intergovernmental Panel on Climate Change's report shows that the world economy is creating



Hetan Shah, Chair of the Board of Trustees

a serious climate problem. At the same time, the Social Metrics Commission estimates that over 14 million people are in poverty in the UK. There is therefore an urgent need to create an economy that works for the worst off, and is environmentally sustainable.

Having taken a wider view of our work in this foreword, let me turn to a specific example of the Foundation's impact. I am proud that we funded, and I was a commissioner on, the IPPR Commission on Economic Justice. This was greeted across the political spectrum as a serious piece of work, taking a systemic view of the economy. It has generated an enormous amount of media coverage and discussion, not least due to the involvement of Justin Welby, the Archbishop of Canterbury. The Commission is a real exemplar of the kind of work that the Foundation wants to be involved in: serious, long-term systemic thinking about the economy, and providing a better vision for the future.

The Foundation has been spending from capital in view of the many high quality project ideas we receive and we continue to monitor the right rate of spend.

Finally, let me thank the Foundation's board of Trustees that work hard to help us have an impact, and most of all I would like to thank the staff, under the leadership of our Director, Danielle Walker Palmour, who make everything happen.

Hetan Shah

Chair of the Board of Trustees
12 March 2019

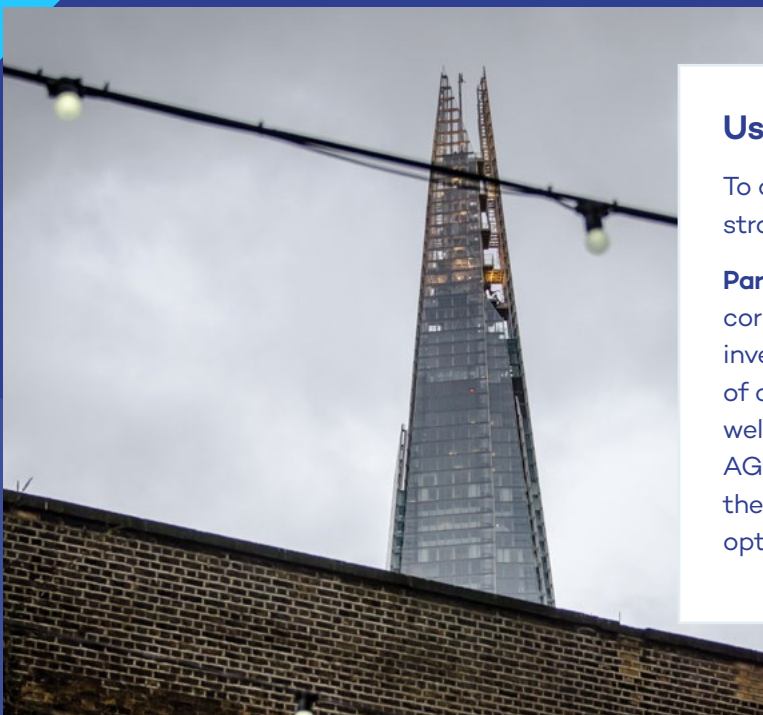
What we set out to achieve this year

Trustees set the Foundation these objectives for 2017-18:

Grants and social investments

To review, improve and enhance the grants and social investment functions and evaluate the programme.

Fully achieved. We learned from our programme to date and used the evaluation to further improve our programme effectiveness, focus our efforts and create ways of measuring our impact.



Using our endowment

To develop the investment engagement strategy further for our key themes.

Partially achieved. We planned to challenge corporate behaviour through direct investment in leaders and laggards in areas of concern relating to pay and utilities, as well as work on bringing some resolutions to AGMs. The Foundation continued to develop the existing themes as well as consider the options for further areas of focus.



Communicating and convening

To further develop the Foundation's communications strategy and brand across all Foundation operations.

Fully achieved. We launched and expanded the use of our brand and identity materials in order to communicate more effectively with key stakeholders.

To ensure the organisation embodies our aims

To build a strong staff team and effective Trustee body.

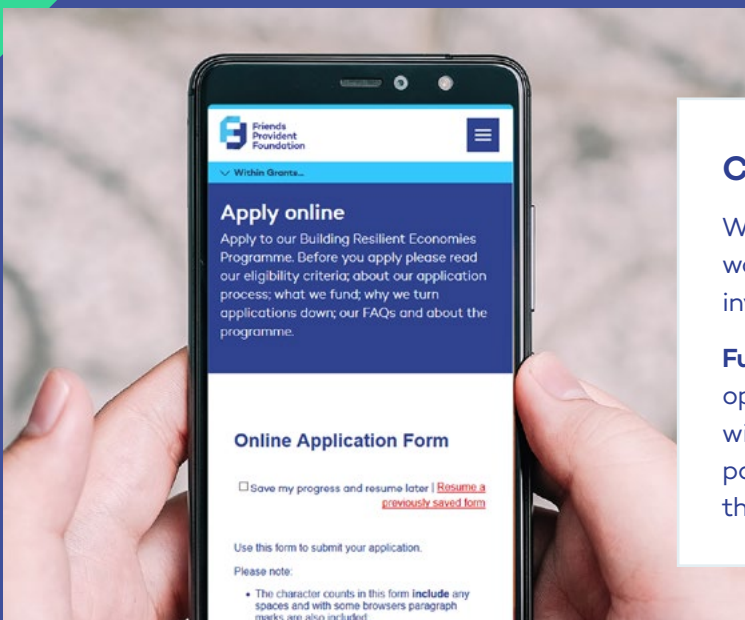
Fully achieved. We have ensured our purpose, values and systems are all in alignment.



Continuous improvement

We will continue to improve how we work (administrative, grant-making and investment systems).

Fully achieved. We constantly look for opportunities to improve the ways we work with those we support, applicants and partners as well as our internal operations so that we continue to innovate and improve.

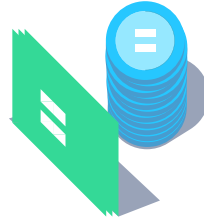


Our grant giving

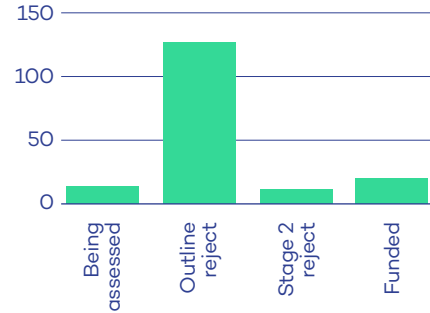
Outline applications 2017/18



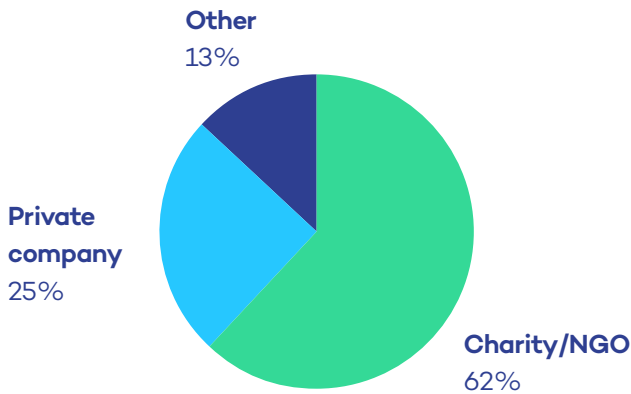
£17 m
Value of applications submitted



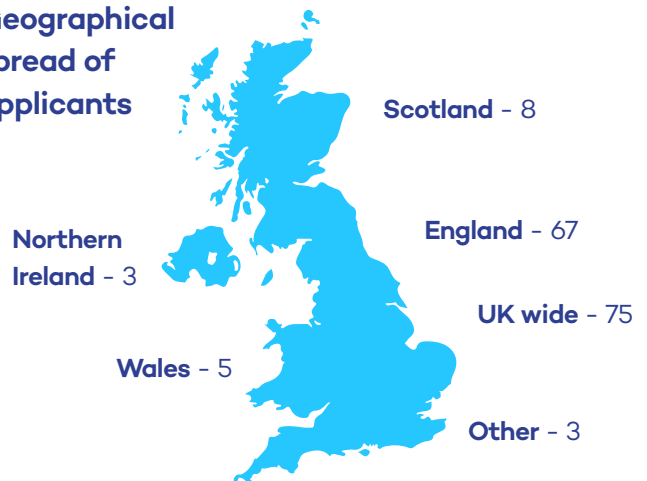
Outcome of applications



Legal status of applicants



Geographical spread of applicants



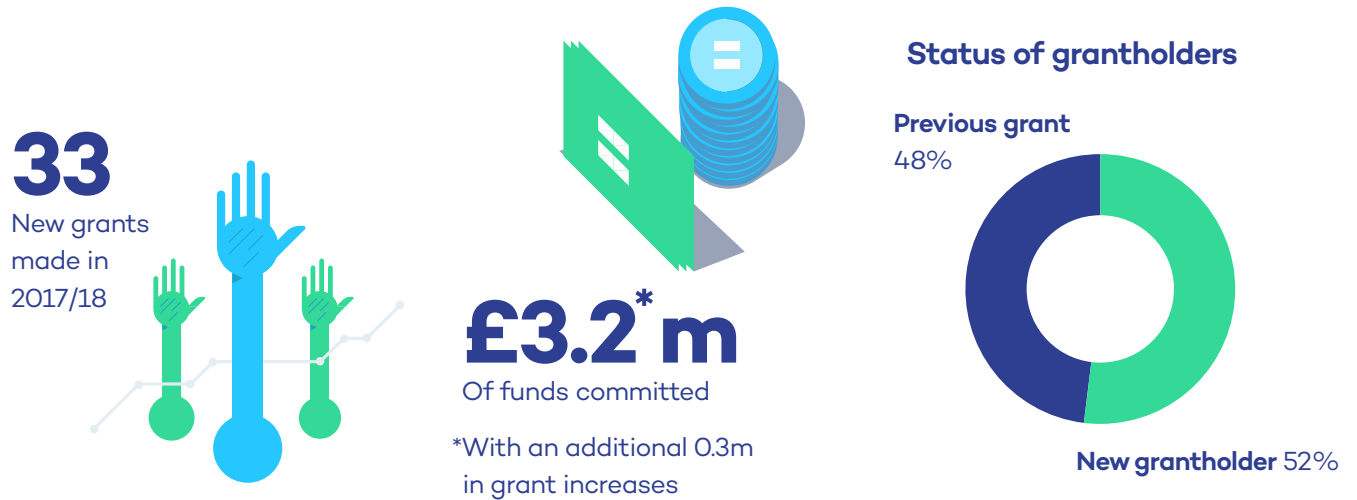
In total, 33 new grants were made over the year and four extensions were made to existing grants. This resulted in commitments worth just under £3.5 million. Fifty-two per cent of these grants were made to organisations that had not previously received a grant from the Foundation, with the rest being made to prior grantholders.

The themes covered by these new grants were: economic ideas; investor/corporate behaviour; energy; land and food; local change; equality and diversity; tax; work and welfare. We also funded a continuation of a legacy project from our previous Financial Inclusion programme and made three grants for unrestricted funding.

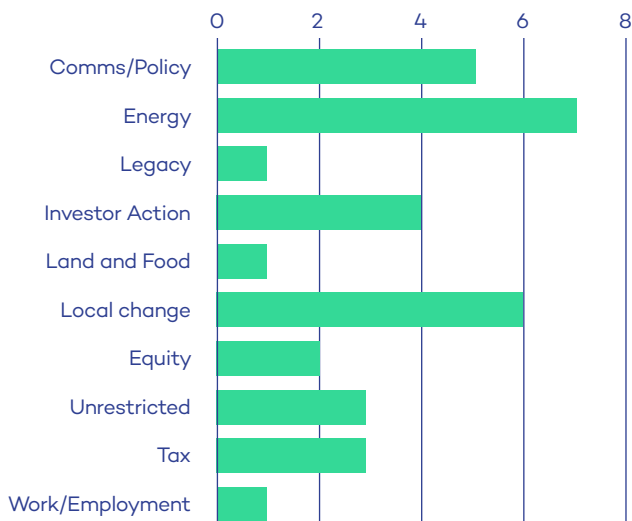
161 outline (first stage) applications were submitted to the Foundation for consideration over 2017-18 at a value of £17 million, in comparison with 118 at a value of £11.5 million in 2016-17. This continues an upward trend in grant applications, with a doubling of outline applications over the last two years.

This increase has been matched with a greater number of applications being invited to the second stage and therefore a greater need for staff (and Trustee) time to be spent on the process of evaluating applications. We have sought to address this through a number of measures this year: upgrading our grants management system to improve its efficiency, and employing new external grant assessors to increase capacity.

New grants 2017/18



Thematic focus of new grants



Geographical spread of new grants



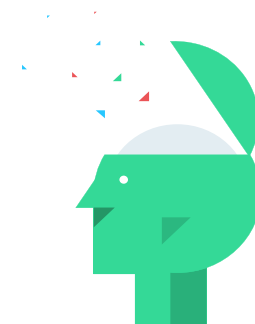
The first infographic, gives an overview of the nature and scale of the outline applications received over the year, including the value, geographic spread, legal status of applicants and the outcome of the applications.

The second infographic illustrates the pattern of grants made over the year, including value, geographic spread, new/previous grantholders and thematic focus of the grants.

Unrestricted funding

Over the year we continued to develop our strategy of providing unrestricted funding for organisations with whom we have strong working relationships and a close synergy in terms of strategy and mission. This funding aims to empower these organisations to work flexibly, to take more risks in pursuit of their mission and to have the capacity to respond to changes in the external environment.

Projects funded this year



New economic thinking

Project	Amount	Description
Institute for Public Policy Research IPPR Commission for Economic Justice	£150,000	Following its establishment two years ago, the Commission for Economic Justice published its final report in September 2018 arguing that the UK needs to establish a new economic settlement. Funding is supporting a major influencing, engagement and communication campaign around the report.
Institute for Fiscal Studies Supporting debate on a fair and sustainable UK tax system	£180,350	Promoting a wider understanding that the UK is likely to need to raise taxes if we are to maintain public services over the coming decades. Identifying policy that would make the UK tax system fairer and more resilient to impending economic, demographic and technological change.
Women's Budget Group Policies for a gender equal economy	£169,650	Developing and presenting alternatives to government policies on equality. The project is establishing a commission to develop a comprehensive set of policy proposals to promote a gender equal economy.
Michael Jacobs Rethinking capitalism	£4,200	Finance for the legal costs of constituting the project as an organisation, which unlocked further support from other funders.





New economic institutions

Project	Amount	Description
Tax Justice UK Ltd Campaign to increase the amount of tax companies pay	£91,600	Tax Justice UK will work with parliamentarians and other campaigning organisations to lobby the government to increase corporation tax rates and to launch a thorough and public review of corporate tax reliefs, analysing the costs and benefits of each and removing those that serve no useful purpose.
Fairshare Educational Foundation (Share Action) Influencing corporates and policy-makers to push for a responsible investment system	£180,000	Unrestricted funding in support of ShareAction's work to change the investment system.
New Economics Foundation (NEF) Core funding 2	£130,000	Unrestricted funding in support of NEF's work.
CORE Economics Education Core funding	£200,000	In support of CORE's free online introductory economics resource, which seeks to inform and empower learners (either as students or citizens) to debate and address the systemic challenges of financial instability, economic disparity and environmental sustainability.
B Labs UK Be the change powered by B Lab	£75,000	Engaging with businesses within the B Corp movement through campaigns and place-based initiatives to bring more businesses into the movement for change.



Practical projects demonstrating alternative practices

Project	Amount	Description
Bath and West Community Energy Neighbourhood storage and energy demand pilot	£121,000	Examination of the options for community action within local electricity markets by testing a collective approach to electricity demand management through the integration of domestic solar PV, battery storage and, if possible, a 'time of use' electricity tariff.
The Green Valleys (Wales) CIC Project skyline	£79,000	Feasibility work to explore the idea of the transfer of publicly owned land surrounding some of the most deprived towns in the South Wales Valleys to community ownership or long-term management.
Regen SW Power to participate	£96,550	Using disruptive innovation to rethink the UK's energy system from the bottom up, enabling community energy groups to play a greater role. The decentralisation of the energy system, driven by innovative technology, is creating a need for local energy markets to feed into the national system. Community energy groups could play a pivotal role in this radical rethinking, driving local social benefits and democratising energy.
Repowering Ltd Innovative community energy demonstration projects	£171,500	Against the backdrop of reduced government support for renewable energy, the project will demonstrate innovative technologies and alternative models of generation and supply – specifically a small-scale anaerobic digestion system for energy recovery from local food waste and a local electricity supply model.
Society for the Reduction of Carbon Greater Manchester energy empowerment and low carbon retrofit communities	£193,000	Developing a city-region scale, local economic model to improve housing sustainability, energy efficiency, fuel poverty and health and well-being. Kick-starting a circular retrofit economy by delivering 100 deep retrofits and encouraging many more over the course of the project, to improve local housing stock, and reduce fuel bills and carbon emissions.

Project	Amount	Description
Transition Town Totnes Caring Town Totnes: exploring community-centred commissioning models and services	£9,500	Co-designing, implementing and testing specific commissioning pathways and procurement processes based around the delivery of jointly designed service proposals.
Fair Tax Mark Fair Tax Towns / Fair Tax Fortnight	£30,000	Increasing the visibility, impact and influence of the Fair Tax Mark by developing and launching a Fair Tax Fortnight in the summer of 2018 and by launching a scheme whereby flagship towns and cities can be certified as Fair Tax Towns, and champion tax justice at a local level.
Development Trusts Northern Ireland Creating resilient local economies through public/ social partnership	£124,900	Developing a new model of collaboration and partnership working for local government, statutory community planning partners and the voluntary and community sector in NI. The project will pilot two approaches to resilient local economies.
Joseph Rowntree Foundation The Democracy Collaborative	£5,000	A collaboration between four UK trusts that will support a senior fellow for the promotion of community wealth building in the UK for one year.



Journalists, thinktanks, policy-makers, regulators, economists, investors who recognise the need for change



Project	Amount	Description
Far Nearer Bringing local economies closer to home	£47,500	Supporting Far Nearer to change from a public record of local economic initiatives into a network for collaboration, consolidation and conversation.
Friends Provident Foundation Journalist fellowships 2018	£180,000	Three fellowships to encourage journalists to engage in our objective to build more resilient economies, by producing accessible output on key Foundation themes.
Client Earth Mainstreaming climate risk	£100,000	A series of strategic legal interventions to mainstream awareness and management of climate risk by key professional advisors, to empower them to advise businesses and investors of these risks.
Frank Bold Society Alliance for corporate transparency	£100,000	Bringing together leading organisations and experts to develop a benchmark to assess if and how large listed companies meet the new EU-wide non-financial reporting legislative requirements. The results of the project will be presented in an open-access database.
Scottish Environment Link A circular economy for a fairer footprint	£120,000	Influencing the Scottish Circular Economy Bill to ensure it drives real change in the economic system. Work with local stakeholders to increase circularity. The circular economy concept has potential to reduce overall consumption of natural resource and promote sustainability.
The Bevan Foundation Building economic resilience in the South Wales Valleys	£70,150	Developing a programme of action to change economic resilience of the Heads of the Valleys area of South Wales, one of the most disadvantaged parts of the EU. Working with local economic actors to strengthen community assets, harness public procurement, grow local financial instruments and maximise the role of social businesses; it will create a detailed programme for change.

Project	Amount	Description
<p>The Royal Society of Arts Future work centre</p>	<p>£100,000</p>	<p>A fresh account of what ‘good work’ means in a modern economy and how it can be realised through pragmatic but ambitious interventions in both policy and practice. This includes a wide-reaching enquiry into the nature of the social contract and how it should evolve to ensure good and fair work prevails.</p>
<p>The Soil Association High-quality, sustainable food – available and affordable through new supply-chain models</p>	<p>£69,600</p>	<p>Addressing the issues of access to quality food and environmental sustainability within food supply chains. It will research, co-design and develop innovative supply-chain solutions and work with processors and retailers to find innovative ways to get sustainably produced food to communities with less of a mark-up, helping achieve a fairer food system and driving the demand for sustainable farming.</p>
<p>The Equality Trust Corporate indicators for fairer pay</p>	<p>£123,500</p>	<p>An analysis of the FTSE 100 in terms of ratios, union recognition, pay rises, gender pay gaps, subsidies, outsourcing and Living Wage, sector-by-sector, to provide a like-for-like comparison.</p>
<p>Positive Money 2° lending</p>	<p>£91,200</p>	<p>2° lending seeks to align banking with the Paris Climate Accord by making lending carbon neutral in North America and Europe by 2030.</p> <p>Climate Safe Lending’s goal is to align bank lending with the Paris Climate Accord by making lending carbon neutral in North America and Europe by 2025.</p>

Transitions to greater economic resilience



Project	Amount	Description
Bright Blue Campaign Party conference event	£8,400	An event at the Conservative Party Conference 2018 to explore energy policy, disseminate documents relating to the future of energy and utilities in the UK and open the debate to a key audience.
Bristol Pound Local currencies roundtable	£5,000	A roundtable event to critically appraise the current state of play of local currencies in the UK, and consider the fin-tech implications and directions for growth.
Green Alliance Trust Community energy 2.0	£65,450	An analysis of the rapid advances in technology that have opened new possibilities for how communities can generate, consume and trade energy; and how communities can capture the economic and social value they generate.
London School of Economics Investing in a just transition	£130,700	A strategic case for investor action for the just transition to a low-carbon economy and best practice guidance for investors.

Legacy funding

Project	Amount	Description
University of Birmingham Monitoring financial inclusion 2018-22	£50,000	Focusing on three key components that people need in order to achieve financial inclusion: a secure income that meets a minimum standard; access to appropriate and well-regulated financial services; and access to free, appropriate advice and education.



Building the capacity of our investees and grantees

Within our grants and investment programmes, the Foundation actively works with funded organisations. Nearly half of our grants this year were to organisations returning for further funding to continue their work.

The Foundation made three additional commitments to unrestricted funding support for grantees with whom we have a strategic alignment – New Economics Foundation, CORE (Curriculum Open-access Resources for Economics) and ShareAction (Fairshare Educational Foundation). We also increased the grant size of the Ecumenical Council for Corporate Responsibility (ECCR) as a cornerstone funder to enable them to expand their staffing capacity to grow their impact and achieve their potential.

The core funding we offer to strategically aligned organisations can be vital in helping them to develop from small organisations often dependent on a single leader to stronger organisations with a broader and more substantial management structure.

For direct investments, the Foundation is an active partner in Project Snowball LLP, whose mission is to build mass participation in impact investing and to establish it as a mainstream investment option, mobilising capital into organisations tackling social and environmental issues.

During the year we also worked directly with renewable energy investments such as Thrive Renewables and Our Power to maximise the inclusion of power owned by community organisations in the development of their models.

Our annual conference for partners, grantees, investees and friends provided a great opportunity to learn new things, share skills, create new networks and learn more about the work of others. We aim to build on these opportunities in the coming years.

What we learnt from the NPC evaluation of our work



In the course of their review of our work, New Philanthropy Capital (NPC) reviewed our outputs, closing reports and project reviews from 2013–18, consulted with stakeholders and carried out one-to-one interviews. They provided some useful reflections on our work that will shape our future programme.

From ‘resilience’ to sustainable transformation of the economy

The language we currently use to explain and explore the economy – recovery and protection from economic shocks – no longer resonates with or makes sense to, society and those directly concerned with the economy, five years on from the start of our programme. It doesn’t fully capture the work we do, nor is it clearly understood outside the Foundation. We consulted our grantees and other stakeholders and will be considering a new framing for our work, focused on transformation of the economy using fairer and more sustainable approaches.

Good ideas, not new ideas

To date, the Foundation has put great store on new ideas and institutions as a conduit for change. However, the evaluation found that looking at how to change mainstream practices and existing thinking is as valuable as ‘new’ thought. Feedback from the review suggested that our strength lies in supporting the development of high-risk ideas or approaches that can influence mainstream thinking. We will consider how to target this in our new strategy.

Building diversity in concepts of fairness

We had begun to ask ourselves questions about the diversity of organisations we supported; and also how those currently not well served in society might be represented in a fairer economy. The evaluation echoed our concern, and we have taken up the challenge to actively address equality and justice in how the economy distributes economic goods and services. This is vital if it is to serve society fairly.



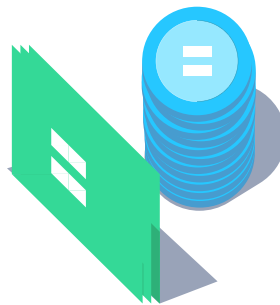
Balancing responsive funding against the wider economic context

The review identified some differences between the work the Foundation supported and the key economic issues affecting the UK. However, if the Foundation were to be demand-led this could limit our ability to influence key audiences with relevant evidence or practice. We will consider how to better monitor issues to ensure we are able to maximise the impact of our funding in the coming years.

Long-term and dispersed support for the field is required for systems change

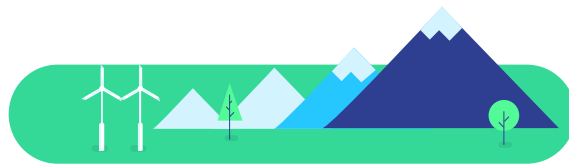
It is unlikely that a small UK foundation would have had discernible impact on a complex global system over the past five years. However, the Foundation has contributed to the growth of a range of interventions – from organisations bringing about economics education reform through to the monetary policy reform proposals being openly debated by national and international institutions. Lasting change requires sustained and widespread support from a range of funders. We will be working to build on existing alliances to draw further resources into the movement.

What we learnt from our grants



Over the year, 21 grants were concluded and these have provided invaluable learning points, including the following highlights:

- The Foundation's equitable approach can be valuable in allowing different approaches to develop, but we can also play a role in supporting organisations and people to work together.
- We often receive applications that make assumptions about latent or untapped consumer or citizen demand. It is important to recognise the complexity of this sort of demand and to challenge any overly simplistic models of change based on this idea.
- The flexibility of our funding approach can allow projects to adapt and try new approaches not necessarily considered at the start.
- When working in a local area it is important to take time to understand and connect to the area, to become embedded rather than try to 'parachute in' change.
- Replication isn't always straightforward. What works in one context may not always work in another. In creating tools that support this sort of replication it is important to ensure that they allow users to take account of contextual issues at an early stage. It may be more helpful to support the removal of structural barriers that can prevent replication.
- Attracting a more diverse range of participants, supporters or volunteers beyond the 'usual suspects' is a significant challenge and one not easily overcome. This can threaten the credibility of community-led organisations and reduce the impact of projects that seek to sway public opinion.



Investing directly in alternative practices

The Foundation made several new social investments this year in line with our programme priorities: pursuing opportunities to build economic resilience through community renewables; and social enterprise funding that addresses inequality of pay and opportunity.

Community energy

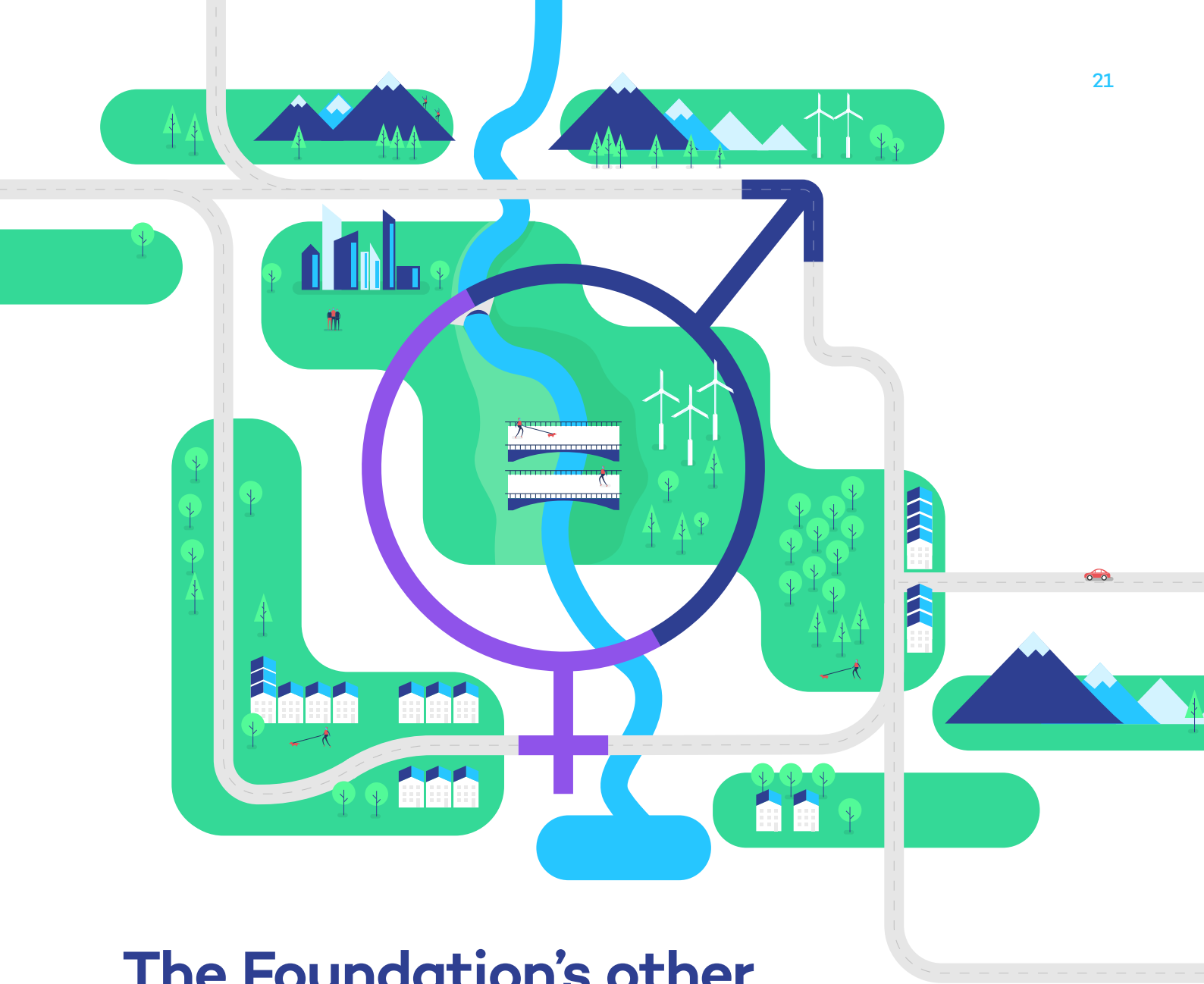
Energy Garden Ltd is a community benefit society raising funds to acquire existing commercial solar PV arrays and transfer them to community ownership. The income generated will be used to transform 50 London overground railway platforms and stations into thriving gardens and food-growing plots, and to support maintenance, volunteers and youth training. Its intention is to support resilient communities, improve air quality and well-being, and raise awareness of community energy and its benefits. The Foundation invested £100,000 in a 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 in tackling inequality and poverty. To do this they use three strategies: knowledge – providing detailed data on each company's gender equality performance; investing – using the data to create new, gender-sensitive financial products, and building a network of well-informed gender lens investors; and finally donations – encouraging investors to share their returns and using any net profits from this work to create a sustainable source of funding to tackle the root causes of gendered economic inequality. The Foundation invested £100,000 in a ten-year loan.

Our Power

Our Power was a not-for-profit energy supplier. It was owned by social housing providers, community organisations and local authorities, and aimed to make energy fairer for all members of society. It had a focus on the issue of fuel poverty alleviation, generating renewable energy, purchasing community energy, and supporting community-focused energy system innovation. The Foundation invested £40,000 in a bond offer. This investment was fully impaired as at 30 September 2018, following independent advice. Our Power went into administration in February 2019 after experiencing difficult market conditions.



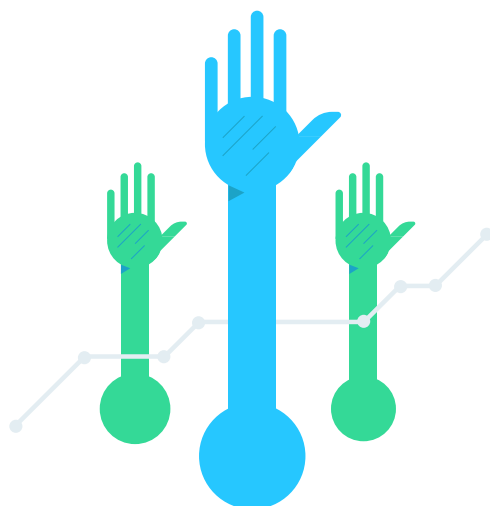
The Foundation's other social investments

Ethex (2013)

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 to ethical investors. The Foundation invested £50,000 structured as a loan.

Project Snowball LLP (2017)

Project Snowball LLP is a ground-breaking new 100% impact investment fund. The Foundation became the third partner to join Project Snowball LLP in 2017, and three further partners have since come on board. Snowball will apply a social and environmental impact lens to all of its investment analysis, reporting and decision-making. The ownership of six of our direct social investments was transferred to Snowball as part of the capital invested.



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 management and shareholder engagement. This year, Trustees focused our efforts on two strategic themes to underpin and focus our proactive work, drawn from what we have learned so far or key developments in our programme areas.

Building economic resilience through community energy and engaging the utilities market

We continue to engage the energy utilities market, utilising reports from grantees Forum for the Future and InfluenceMap, which concluded that:

- incumbent energy utilities need to embrace the transition to decarbonised, decentralised and democratised energy (the '3D transition') and develop new business models if they are to have longevity;
- business models appear to be based on the current ability to maintain the status quo via regulatory influence, and none of the Big Six's lobbying activity is sufficiently aligned with the '3D transition'.

The Foundation has partnered with Royal London Asset Management to undertake shareholder engagement with incumbent energy utilities

and has had meetings with Centrica, Scottish Power, EDF, RWE and Innogy to discuss business model resilience, transition strategy, lobbying and appetite to offer services to community energy and prosumers.

We have partnered with the London School of Economics Grantham Institute in its grant-funded 'Investing in a Just Transition' programme, which considers the need for investors to integrate a social dimension into climate strategies. It will provide investor guidance regarding shareholder engagement and capital allocation, including a focus on 'place-based investment' that will feature community energy. We have integrated the draft shareholder engagement recommendations into our utility market engagement.



Addressing inequality through portfolio-wide engagement for good work, fair pay and more transparent executive pay structures

We are one of 79 investor signatories to the ShareAction-led Workforce Disclosure Initiative (WDI), which is calling for transparency from 500 global companies on how they manage workers, including pay and executive pay ratios. The ultimate goal is to improve the quality of jobs in the operations and supply chains of multinational companies.

The Foundation is a member of the WDI engagement working group. We cross-referenced the companies that had not responded to the 2017 WDI survey with our BMO equity fund holdings and contacted them to request they engage. We also cross-referenced the WDI's 200 priority companies and followed up with letters to 17 companies that had not been directly engaged by an investor.

We co-hosted the launch of the St Paul's Institute report, *Fair Pay for Fair Work: A look at executive compensation*, at an event at St Paul's Cathedral. The Foundation funded report makes company and investor recommendations to build on mandatory executive pay ratio reporting to bring about the integration of decision-making on executive pay and average employee pay.

The Foundation is currently integrating these recommendations, along with those of the grant-funded IPPR Commission on Economic Justice, into a set of company requests for portfolio-wide shareholder engagement. It is envisaged that consistent and comparable information on a sectoral basis will result from both the WDI initiative and the project underway by The Equality Trust to enable targeted company engagement.

Convening and communicating with people to share lessons from their work

This year saw the culmination of the Foundation's work to review its brand and website, both of which launched to positive feedback in the Autumn, affirming our belief that a measured approach, rooted in reflection on our values, had been the right one for us.

The timing of our annual Grantholder Conference 2017, with its full day of speakers, workshops and fitting theme of communication, offered the perfect platform to showcase the new brand to the outside world for the first time.

With the new tools in place for our communications activity, we have been able to move forwards with an increased presence and voice to bring our new brand and values to life and epitomise the type of organisation that we wish to be.

Our new website is developing well as a hub of information, demonstrating our commitment to collaboration and convening. Our online library contains resources – videos, reports and books that have been produced by the projects we have funded – for grantholders to share and use in their work. Further improvements to the website continue, but the increased functionality it offers has already streamlined the process for grant applicants and allowed us to provide better online support to grantholders.

We believe that real change happens when people connect to share what they're learning and doing. The events we convene provide an opportunity to meet, collaborate and harness the power of shared thinking, so we can work together with others to shape a future economy that works for all. Furthering our commitment to bringing people

together to solve problems, we supported several events throughout the year, including: an exchange visit with our partners Philanthropy Australia; party conference fringe events; a meeting to facilitate further discussions around the report *Beyond Neoliberalism* by Michael Jacobs and Laurie Laybourne-Langton, and convening meetings to explore collaborative funding opportunities.

This was a landmark year for our Journalist Fellowship, which offers successful applicants financial and editorial support to produce a body of work that communicates alternative, economically coherent ideas in an engaging way. Our first fellowship was a resounding success and its output, the thought-provoking book *The Growth Delusion* by author and prize-winning journalist David Pilling, was published to great acclaim in January 2018. This provided a strong springboard for the launch of the next fellowship, which was opened for application later in the year, resulting in the appointments of Martin Sandbu, Deborah Hargreaves and Aditya Chakraborty. Associated communications activity included release of a news story, production of a promotional film, mailings, one-to-one approaches to journalists and a sustained social media campaign. We hope that the work generated will lay the tracks for newfound thinking on how the economy can work better for people and planet.





Reports published in 2017–18

The wide dissemination of our funded work underpins our charitable aims and public-benefit objectives, and during 2017–18 we were pleased to support a number of publications, all of which are available through the Foundation’s website at www.friendsprovidentfoundation.org

- **Fair Pay for Fair Work: A look at executive compensation** – St Paul’s Institute
- **Building community resilience** – Wessex Community Assets
- **Remodelling Capitalism: How social wealth funds could transform Britain** – Stewart Lansley, Duncan McCann and Steve Schifferes
- **Creating a social care trust fund** – Select Committee Report
- **Friends Provident Foundation Grants and Investment Programme 2013–18**
- **Friends Provident Foundation Information for Grantholders**
- **Friends Provident Foundation Annual Report 2016/17: A year in review**

Going forward, communications will continue to be central to how we deliver on our purpose Fair economy. Better world.

The future: our plans for 2018–19

Our objectives for the next year cascade from our purpose. These corporate objectives are intended to guide our team objectives and ultimately individual objectives.



1. To build on the findings of the evaluation by NPC, the work of other funders and commissioned reviews to develop a programme strategy to guide our grants, social investment, communications and investment goals for the next five years to bring about a fair and sustainable economic system in the UK.



2. To develop our capacity and ability to synthesise and share the learning from our programme with both our partners and the wider public through the development of new communication products and approaches.



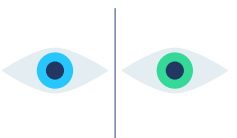
3. To review and re-launch our investment strategy – including investment management, advice, asset allocation, goals and engagement – overseen by our Investment Committee.



4. To develop metrics and monitoring methods to track progress towards our goals, including input from key informants as well as the development of data sets and research tools to ensure our work is relevant and high-impact.



5. To develop and implement a strategy for doubling the funding available for projects working toward a fair and sustainable economy through collaborative working with other funders.



6. To include diversity of perspective more coherently in our work.



7. To build a strong and cohesive staff team.

Our policies, governance and operation

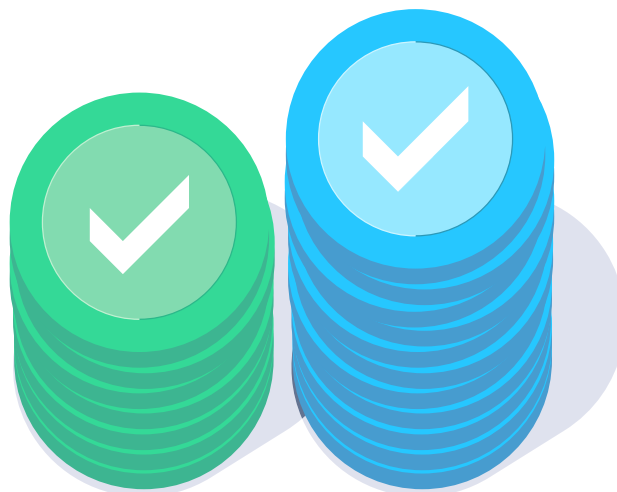
Ethical investment policy

The Foundation's investment policy reflects its continued commitment to ethical investment approaches. Our resources are in ethically screened funds to ensure that activities such as tobacco, armaments and gambling, and investments in companies and products which could harm civil society, are avoided. Furthermore, as more opportunities arise to pursue a positive ethical investment approach that delivers market rates of return, the Foundation will consider such investments as appropriate, balancing the need for diversification and minimising management fees.

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

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, supported by CCLA.





Using our resources – spending capital as well as income

Trustees believe that the challenges facing the world and our society 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. In light of this, Trustees took the decision that the Foundation will spend its capital as well as its income in pursuit of our mission. This has enabled us to spend more on internal resources and grant-making than in previous years. Our expectation is that this will continue over the next few years. Trustees actively review both strategy and resources to manage the risk of this approach.



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 change is arguably the biggest risk to economies today.

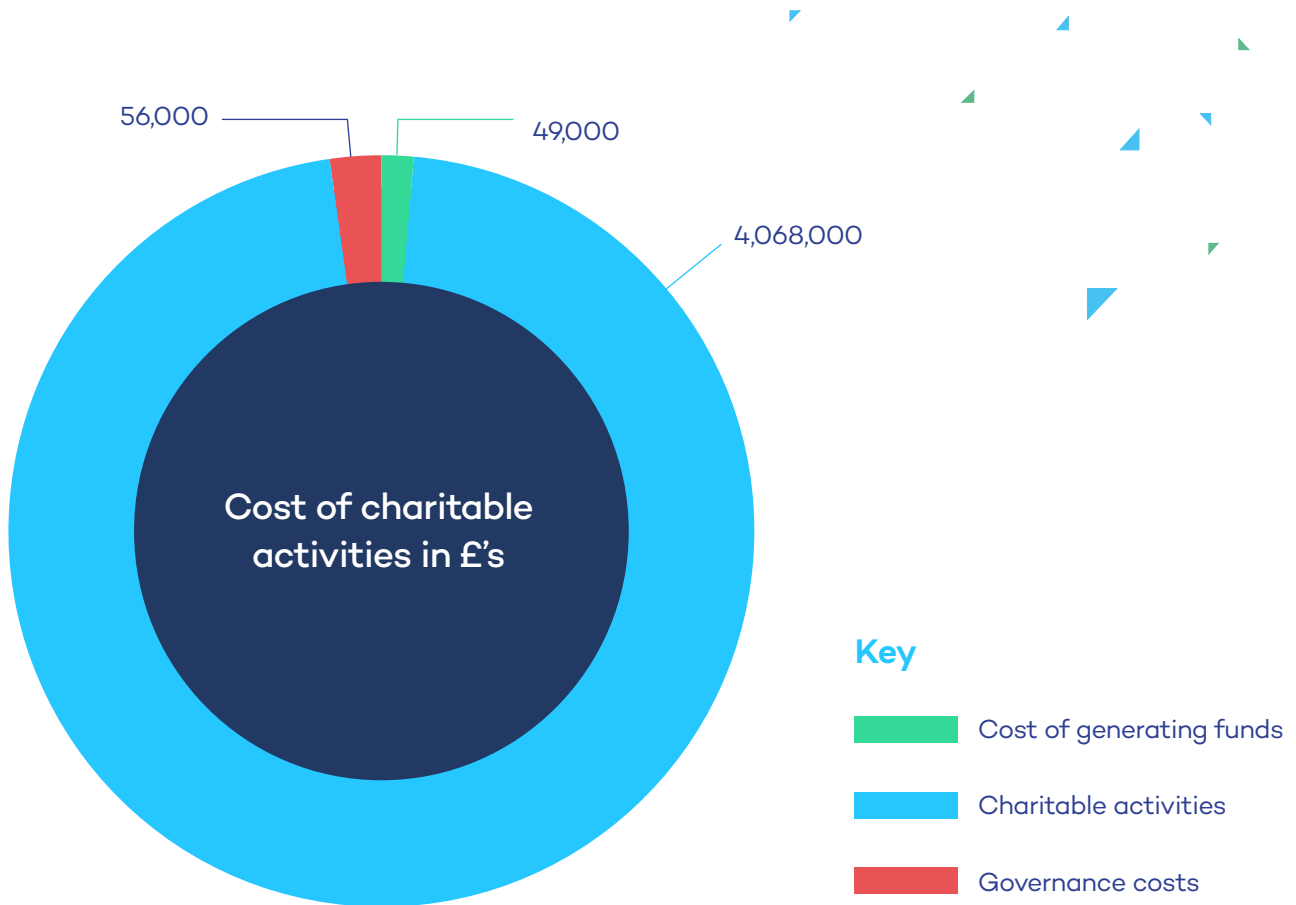
We wish to safeguard the Foundation's capital with regards to both stranded asset risk (risk to particular sectors that are carbon-intensive) and also, potentially even more important, climate-related systemic risk or risk arising from general economic damage. Trustees understand that climate-related systemic risk could have a highly negative impact not only on the Foundation's assets but also its core mission and stakeholders through disruption of the financial system, with implications for jobs, incomes and inequality. They therefore seek to do what they can to progress a rapid transition to a low-carbon economy.



Social investment policy

In 2013, 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 objectives and focused programmatic objectives using financial instruments other than grants. The secondary aim of social investments is to produce a financial return. Trustees are prepared to consider accepting a higher level of risk or a lower level of financial return than the market norm, especially for those social investments that are closely aligned with the Foundation's specific programme aims. For investments that generate broader positive social impact and meet the Foundation's general charitable objectives but without specific alignment with programme aims, Trustees might look for levels of risk and return that are closer to the benchmark for that asset class.

Key financial data



Charitable activities to 30 September 2018

Cost	Total 2018 (£ '000)	Total 2017 (£ '000)
Cost of generating funds	49	22
Charitable activities	4,068	2,268
Governance costs	56	52
Total	4,173	2,342

Balance sheet at 30 September 2018

	Total 2018 (£ '000)	Total 2017 (£ '000)
Investments	36,102	36,869
Equipment	6	7
Net current liabilities	(2,459)	(2,304)
Long term creditors	(1,483)	(819)
Total	32,166	33,753



Trustees of Friends Provident Foundation

Hetan Shah, Chair
Joanna Elson, Vice Chair
Joycelin Dawes
Paul Dickinson
Kathleen Kelly

Patrick Hynes
Rob Lake
Stephen Muers
Aphra Sklair



Our purpose

Friends Provident Foundation is an independent charity that makes grants and uses its endowment towards a fair, resilient 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.

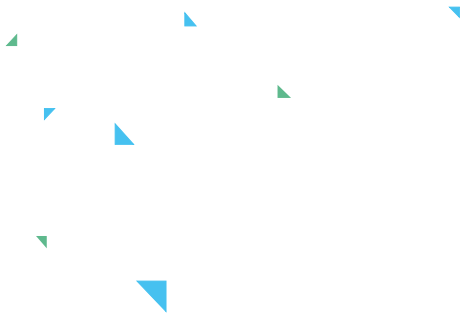
Since 2004, we've pioneered the creation of a fair economy for a better world. Already, we've helped improve access to financial services for people who were once excluded and supported the development of resilient economic communities across the UK.

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





Contact us

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Friends Provident Charitable Foundation
Registered charity 1087053
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Company number 04228843

Fair economy. Better world.



[Friendsprovidentfoundation.org](https://www.friendsprovidentfoundation.org)

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