


Fair economy. Better world.



Annual report and financial statements



For the year ended 30 September 2022
Friends Provident Charitable Foundation
(A company limited by guarantee)



Charity No: 1087053
Company No: 4228843

FRIENDS PROVIDENT CHARITABLE FOUNDATION
REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

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FRIENDS PROVIDENT CHARITABLE FOUNDATION

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Reference and Administration Information

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
18 Blake Street
York
YO1 8QG

BOARD OF TRUSTEES

Members:	Abraham Baldry Paul Dickinson Ann Don Bosco Joanna Elson (Vice-chair) Kathleen Kelly Priya Lukka (until 30 th Sept) Stephanie Maier Stephen Muers (Chair) Aphra Sklair
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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

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Reference and Administration Information

PRINCIPAL ADVISORS

Principal Bankers:	CAF BANK Limited PO Box 289 West Malling Kent ME19 4TA	Triodos Bank NV Deanery Road Bristol BS1 5AS
Auditor:	Buzzacott LLP 130 Wood Street London EC2V 6DL	
Investment Advisor:	Peter Jones Independent Advisor	
Solicitors:	Wrigley's Solicitors LLP 3 rd Floor, 3 Wellington Place Leeds LS1 4AP	
Investment Managers:	BMO Asset Management 55 Baker Street London W1U 7EU	Cazenove Capital 1 London Wall Place London EC2Y 5AU
	Snowball Impact Management Ltd 5th Floor, Mitre House 44-46 Fleet Street London EC4Y 1BP	

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CHAIR'S INTRODUCTION

This is the second year in which I have had the privilege of introducing the Foundation's annual review and reflecting on what the organisation has achieved over the past year. Although the impact of the Covid-19 pandemic has now lessened, the environment for achieving our mission of building a fairer and more sustainable economy is even more challenging. Sharply rising inflation and interest rates have the biggest impact on those with the most limited resources and in the most precarious economic position. Building a system that promotes fairness is more important than ever. This remains central to the Foundation's work, and is the main theme of this year's annual report.

The most significant activity the Foundation undertook this year was reviewing and changing our main grants programme. We took a detailed look at particular aspects of the projects we fund, such as the balance between large and small projects, whether they were being conducted by new or more established partners, whether they were for core funding or specific projects, and so on. We also considered the timeframe over which we were planning to spend our resources, and in which areas we could most effectively work with partners.

This process was expertly stewarded by our Grants Team, and I am very grateful for the way in which they managed to draw in perspectives from all our key stakeholders as well as the trustees. The outcome was that we were able to re-launch our grants programme in the summer of 2022 with three clear pillars where we think we can make the biggest contribution:

- Building a strong and diverse movement to explore new economic thinking;
- Supporting a fair transition to a new economic model that is decarbonised, democratised, decentralised and diversified – a '4D economy'; and,
- Transforming society's financial systems using models that will support a fairer economy.

The third pillar is closely linked to another key area of our work – how we act as an investor to bring about change. This relates to our direct social investments, and also to how we invest our endowment and use it to push for change at a system level. I am very grateful to Colin Baines, who has led this work for the Foundation for the last six years but is now sadly moving on. It has been a very active and productive year for the Foundation's investment, with highlights including investing in community energy pioneer Energy Garden, increasing our allocation to award-winning impact fund Snowball, and working with Royal London Asset Management to persuade major energy companies to publish clear plans around the necessity for a just transition to a low-carbon future.

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Amid the changes we have made to our grants programme, we continued to back exciting new initiatives that promote our overall goal of fairness. To highlight just two, we are funding the Institute of Public Policy Research's work on what a fair tax system for the UK would look like, and Medact's work to enable health workers to run local campaigns around fair access to housing.

Finally, I would like to thank the Foundation's staff, trustees and partners for their commitment, solidarity and achievements over the last year. Particular thanks go to Priya Lukka, who steps down as a trustee, for her extremely valuable contribution to the Foundation's work.

Stephen Muers
October 2022

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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.

This annual report has been written in the current context of the cost-of-living crisis, rising inflation and a pending recession that makes the creation of a fair economy more imperative.

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.

We will continue to fund new thinking, connect new ideas, invest our capital in line with our aims and values and create better systems.

This annual report focuses on our main mission which is to create a fair and sustainable economy.

For more information go to our website at www.friendsprovidentfoundation.org

WHAT WE SET OUT TO ACHIEVE THIS YEAR

Trustees set the Foundation these objectives for 2021–22:

- 1. To reduce the rate of spend to approximately £2m per annum over the course of the financial year, in order to ensure we can honour existing commitments.**

Reflections

We achieved this goal alongside the wider strategy review. Our hope is that maintaining our capital base will ensure we are able to support the sector for longer. Additionally, we commissioned Collective Discovery to hold engagement exercises with our grantholders and they helped us to set priorities for the re-shaped programme.

- 2. To learn from our activity through the Learning Strategy, which will be given further impetus in 2021-22.**

Reflections

We consulted key stakeholders to help us shape our new strategy. We are also members of learning networks such as the Institute for Voluntary Action Research (IVAR)'s Open and Trusting Funders, the Grant Givers' Movement, Charities Responsible Investment Network and the Social Impact Investors Group. We initiated

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the Foundation Practice Rating, which assesses foundations' actions in order to incentivise better practice in key areas of diversity, accountability and transparency. These have all informed improvements we have made to the way we work. We will continue to progress with this next year, embedding learning from the start in the development of our revised strategy.

- 3. To fully review and implement new human resources policies and procedures.**

Reflections

This was partially achieved with the establishment of a new HR system; we are working toward full implementation in 2022-23.

- 4. To develop a programme of work to increase investment engagement/impact investment capacity.**

Reflections

This objective was fully achieved, with an expansion of our investment capacity in 2022–23. We also held an Investment Conference to bring like-minded people together to explore how to start, progress and implement meaningful change.

- 5. To develop communications as a strategic tool. This could be expanded in the following directions:**
 - i. Capacity building the foundations' communications sector in key areas such as equity and inclusion.**
 - ii. Collaborative working.**
 - iii. Investment engagement.**

Reflections

This was fully achieved. A new strategy was agreed by trustees that ensured greater integration of communications in our approach to change, through the framing of the 4D economy, and we expanded our use of social media.

- 6. To revise the Foundation's Theory of Change and develop related metrics for the strategy refresh from June 2022.**

Reflections

This was not completed this year due to a lack of staff capacity, although work on an approach to metrics was included in the strategy refresh.

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OUR ACTIVITIES THIS YEAR

THE 4D ECONOMY

Friends Provident Foundation's mission remains the pursuit of a fair and sustainable economy, but this year we have clarified our vision of such an economy. Our revised strategy is shaped around the concept of a '4D economy' that will:

- **Decarbonise** the economy to tackle climate change, keep global warming below 1.5 degrees Celsius and ensure a planet that is habitable for future generations, ensuring that this transition to a low-carbon future is fair and equitable.
- **Decentralise** the economy to build a fair and sustainable system where people can create and retain value locally and focus on the well-being of their community.
- **Democratise** the economy to ensure communities and workers have power, ownership and control of the assets and businesses that sit at the heart of society.
- **Diversify** the economy to address social and economic injustices.

Below are some examples of projects that have contributed toward a 4D economy this year through our grants and investments.

Decarbonise

Ethical Consumer Research Association Ltd have developed a five star, points-based rating system for comparing funds based on their commitment to tackling climate change.

Decentralise

Community Energy Association (England) Ltd are developing the kinds of support they provide to an increasingly diverse sector in order to play a stronger facilitative and coordinating role. They want to ensure that learning is shared effectively, duplication of effort reduced and sector capacity and skills are increased.

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Democratise

Balanced Economy are establishing an expert hub of anti-monopoly knowledge, analysis and activism to change how to tackle excessive corporate power.

Diversify

ShareAction aims to increase the number of businesses reporting ethnicity pay gap data and ultimately influence the UK government.

STRATEGY

The current economic system produces and reproduces inequality and environmental degradation and undermines responsible business behaviours and positive social interactions. It needn't be this way.

Following this year's strategic review, we have reframed our work to support the creation of a fair economy. Our new approach features a more explicit impact framework built around the 4D economy:

- **Decarbonise** - The economy is structured to facilitate sustainable activity that is framed within a move from carbon dependency.
- **Decentralise** - Economic processes that disperse wealth, risk, capital and power across geographies, sectors and demographics.
- **Democratise** - Economic structures that support people's participation in economic institutions and in shaping how the economy works.
- **Diversify** - An economy that values and embodies diversity of thought and characteristics, informed by a strong inclusive and diverse movement.

Through our grants and investment work we aim to:

- support a wider range of organisations to engage in the global movement for economic change;
- support the transition to a 4D economy;
- fund research that is focused on informing financial systems to be more responsive to the needs of society.

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A REVIEW OF GRANTS MADE IN 2021/22

This year has been one of both continuity and change for our grants programme. Midway through the year we paused our application process to allow time to work on our new strategy and related grant-giving programme. The grants programme closed for new applications in January and re-opened on 31 August 2022.

During this time, we reviewed the Foundation's programme against best practice in the sector and in consultation with our partners and grantholders. We received valuable feedback and have integrated this into our new programme. The consultation with grantholders was undertaken for us by an external consultancy – Collective Discovery – and their report can be found on our website.

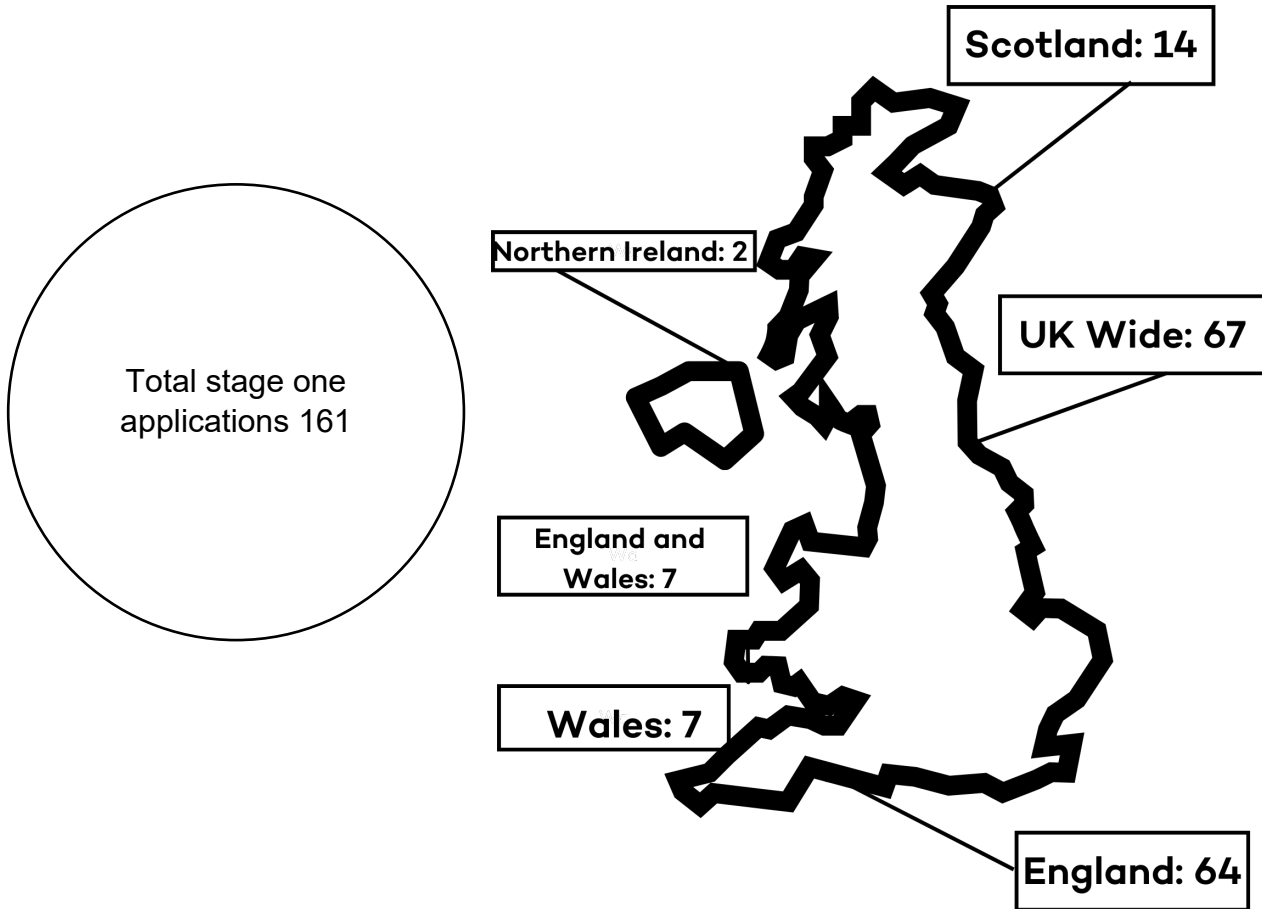
The strategy section above outlines the changes we've made in what we are trying to do, but the feedback process also highlighted areas where we could make improvements to *how* the Foundation operates. These include: moving from payment in arrears to paying in advance; easier access to grants staff for prospective applicants (including open access to the grants diary to book in face-to-face meetings); and clearer and more directive communication of the Foundation's reporting and learning requirements.

We also put in place new systems to allow us to record and report against the diversity, equity and inclusion (DEI) Data Standard, a framework to categorize organizations either led by, or targeting and supporting, groups experiencing structural inequity. This will enable us to be more transparent about who applies to us for funding and who accesses it, and supports our commitment to being accountable, transparent and welcoming of diverse groups and perspectives. We will report on this in the 2022-23 annual report.

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Stage One Applications

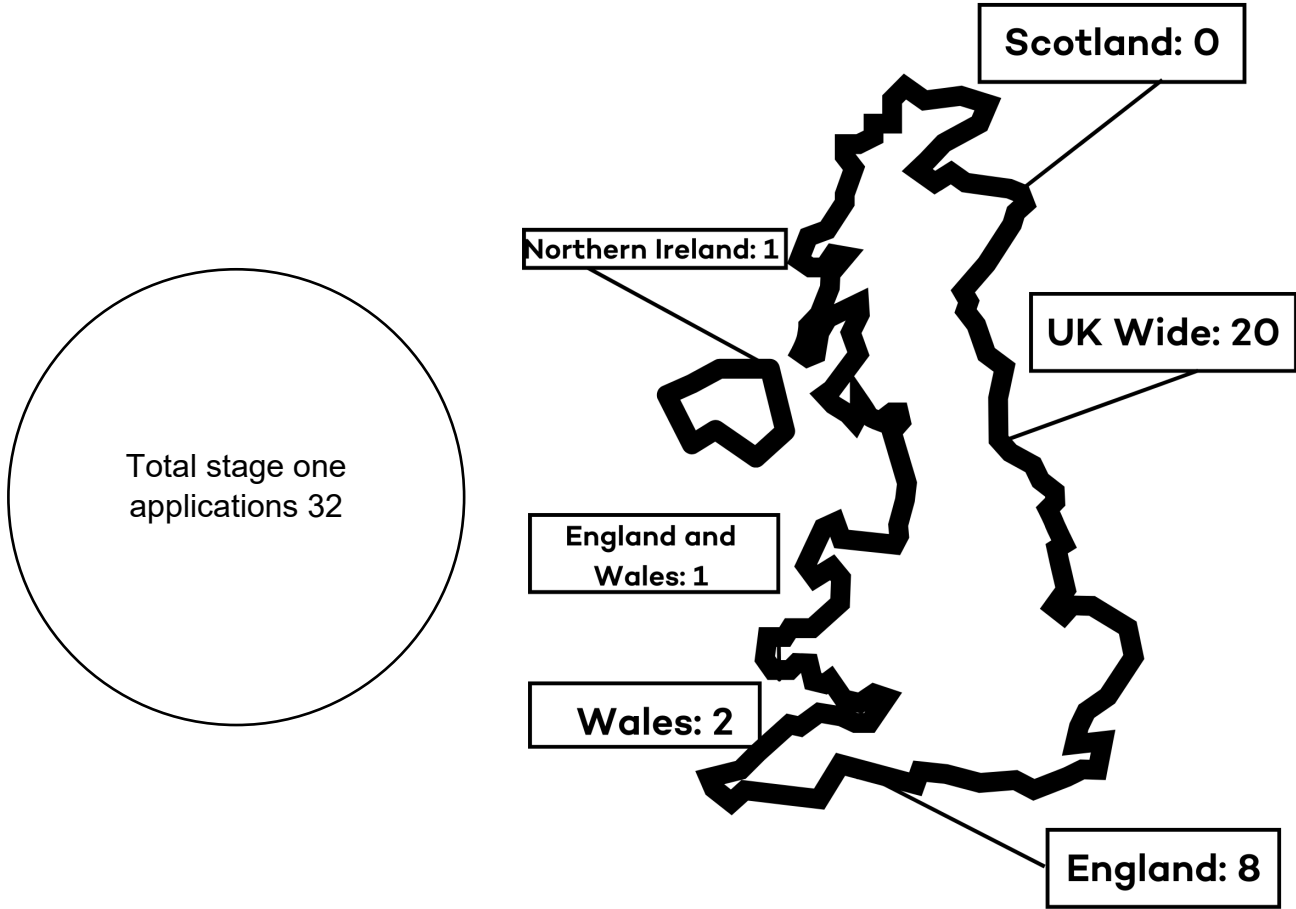


	2021-22	2020-21
Number of applications	161	157
Value	£16.4m	£14.5m
Average success rate	14%	9%

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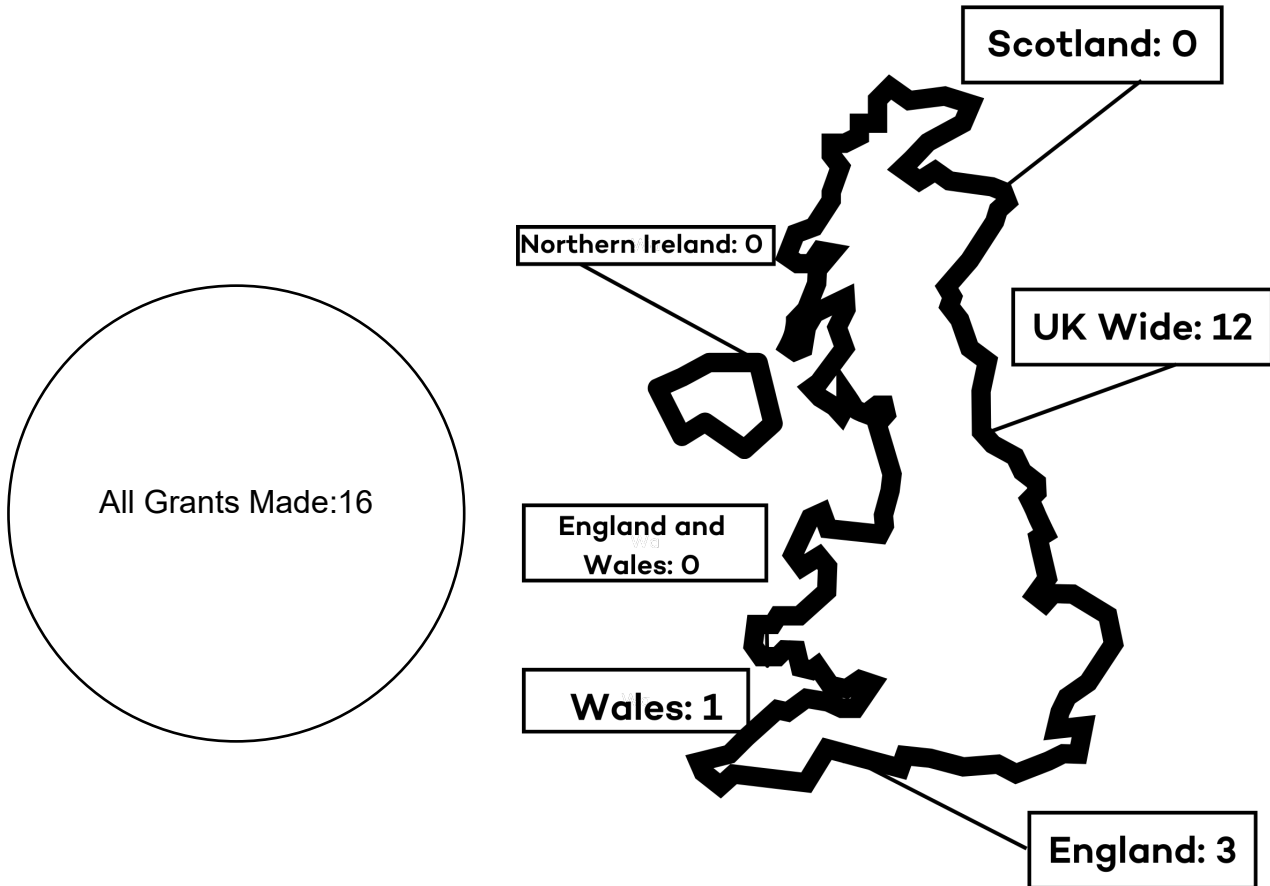
Stage Two Applications



	2021-22	2020-21
Number of applications	32	38
Value	£3.4m	£2.3m
Average success rate	55%	66%

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Unrestricted Funding

	2021-22	2020-21
New unrestricted	0	2
Previously funded	3	5
Total	3	7

We consider unrestricted (or core) multi-year funding to be a vital type of support, allowing organisations to focus their energies on strengthening and developing themselves and their services, and the flexibility to adapt and innovate as circumstances dictate. Currently, 36% of the value of our funding portfolio comprises unrestricted grants.

At the end of 2022 we had 71 live grants, worth a total of £9.08m.

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NEW GRANTS - PROJECTS

Balanced Economy Project. *Tackling monopoly power.* Amount awarded: £80,000. Balanced Economy are establishing an expert hub of anti-monopoly knowledge, analysis and activism to ‘change the weather’ on how to tackle excessive corporate power.

Community Energy Association (England) Ltd. *Nurturing resilience and accelerating growth in the community energy sector.* Amount awarded: £100,000. Community Energy Association (England) Ltd will support a diverse sector and increase sector capacity and skills.

Decolonising Economics. *Building an economic democracy rooted in racial justice and social equity.* Amount awarded: £75,000. Decolonising Economics will offer strategic analysis, educational frameworks and creative exploration to increase Black and People of Colour perspectives to system-change.

Ethical Consumer Research Association Ltd (ECRA). *Fossil-free investment fund ratings system.* Amount awarded: £25,500. ECRA will develop a five star, points-based rating system for comparing funds based on their commitment to tackling climate change.

Fairshare Educational Foundation (operating as ShareAction). *Ethnicity pay gap reporting.* Amount awarded: £122,000. ShareAction aim to increase the number of businesses reporting ethnicity data, and ultimately influence the UK government, to make it a statutory requirement for businesses to report on this (similar to the gender pay gap).

Global Feedback Ltd. *Seeing reparations: Addressing British agribusiness corporations’ destruction of nature & communities.* Amount awarded: £100,000. Global Feedback Ltd aims to address the former British Empire’s legacy in creating the current destructive food system and establish a framework to attribute current and historical damages.

Institute for Public Policy Research (IPPR). *Fair tax now: Shaping the post-pandemic debate for progressive taxation reform.* Amount awarded: £110,000. The IPPR aims to shape a consensus and wider public debate about taxation reform to deliver economic and environmental justice.

King’s College London. *Citizens’ assembly on national debt.* Amount awarded: £85,802. A 100-person citizens’ assembly will be created, dedicated to understanding national finances and voting on alternative policies

London School of Economics and Political Science. *Financing the Just Transition 2.0: Moving to implementation.* Amount awarded: £85,000. This project aims to support system-level innovation that enables investors and the financial sector to deliver a just transition to a low-carbon future in the UK.

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New Economics Foundation (NEF). *Developing regional economies.* Amount awarded: £200,000. Four leading new economic organisations (NEF, Cooperatives UK, Centre for Local Economic Strategies and Centre for Thriving Places) are working with three combined authorities, local partners and community groups to co-produce regional plans based on well-being outcomes.

Power To Change. *Community power group.* Amount awarded: £5,000. The creation of a consortium of individuals and organisations with an interest in community power.

Solidarity Economy Association. *Solidarity Economy Organisers' Network (SEON).* Amount awarded: £86,028. The Solidarity Economy Association aims to empower local and national organisations and build a collaboration between disparate groups.

Students Organising for Sustainability (SOS). *Invest for change: Universities leading a transformational shift in responsible investment practices.* Amount awarded: £150,000. SOS will seek to mobilise students and university influence to drive transformative change in the finance sector that supports sustainability.

The 10:10 Foundation. *Riding Sunbeams.* Amount awarded: £10,000. A new strategy will be developed for Riding Sunbeams, an organization that aims to decarbonise rail traction networks.

The Class Work Project. *Building the Class Work Project: A working-class co-op for social, cultural, and economic system.* Amount awarded: £88,800. This project aims to centre the leadership and knowledge of poor and working-class people in creating a fair economic system.

The William and Flora Hewlett Foundation. *New Economic Paradigm Funders' Group* - £10,000. Funding to support the costs of consultant Parker Blackman to coordinate meetings of the New Economic Paradigm Group, of which FPF is a member.

NEW GRANTS - CORE

- Centre for Local Economic Strategies. Amount awarded: £94,500.
- Institute for Welsh Affairs. Amount awarded: £100,000.
- Positive Money. Amount awarded: £150,000.

INFLATIONARY GRANT INCREASES

In recognition of the growing cost of living and the impact of this on our grantholders we offered all grantholders a cost-of-living increase in April 2022. The following grant uplifts were made in response to this: Carbon Coop (£3,539), Jubilee Scotland (£2,366), Rethinking Economics (£3,598), Stir to Action (£4,200), Tax Justice UK (£2,170), Trade Justice Movement (£5,000), Wessex Community Assets (£3,325), Women's Budget Group (£7,959), Economy (£10,000), Medact (£7,556), New Economy Organisers' Network (NEON) (£9,941.46), and CLES (£4,500).

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OTHER GRANT INCREASES

Grant increases were requested and granted to the following grantees over the course of the year:

- Finance Innovation Lab (core funding): £50,000.
- Wellbeing Economy Alliance Scotland (project funding): £33,750.

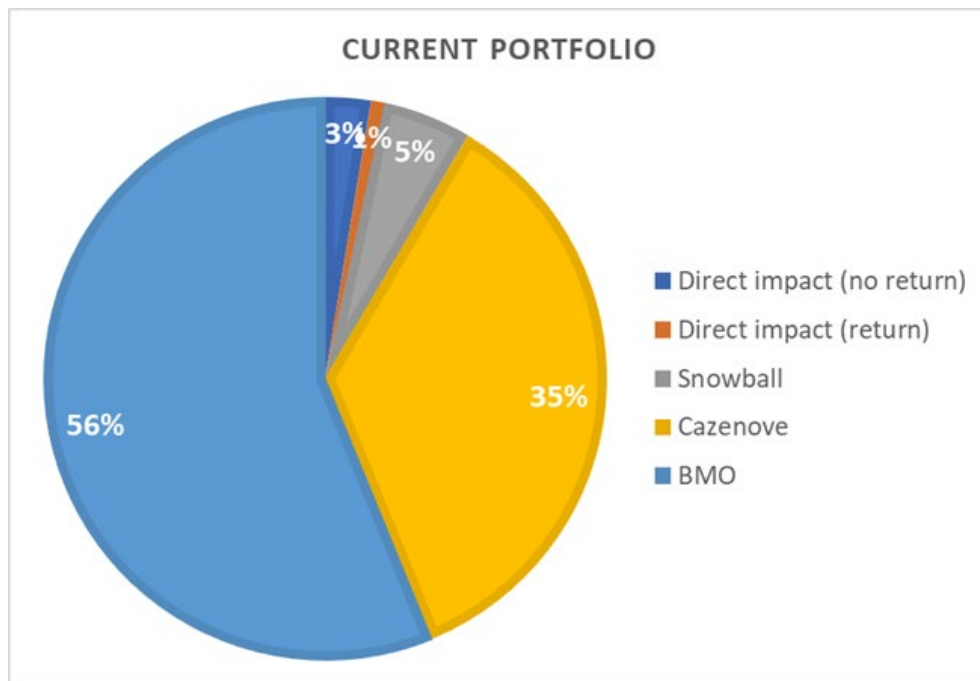
REVIEW OF INVESTMENT ACTIVITY IN 2021-22

HOW WE USE OUR ENDOWMENT

We take an integrated approach to our mission and capital base and use our endowment as a tool for change, including through social investments and asset manager and shareholder engagement.

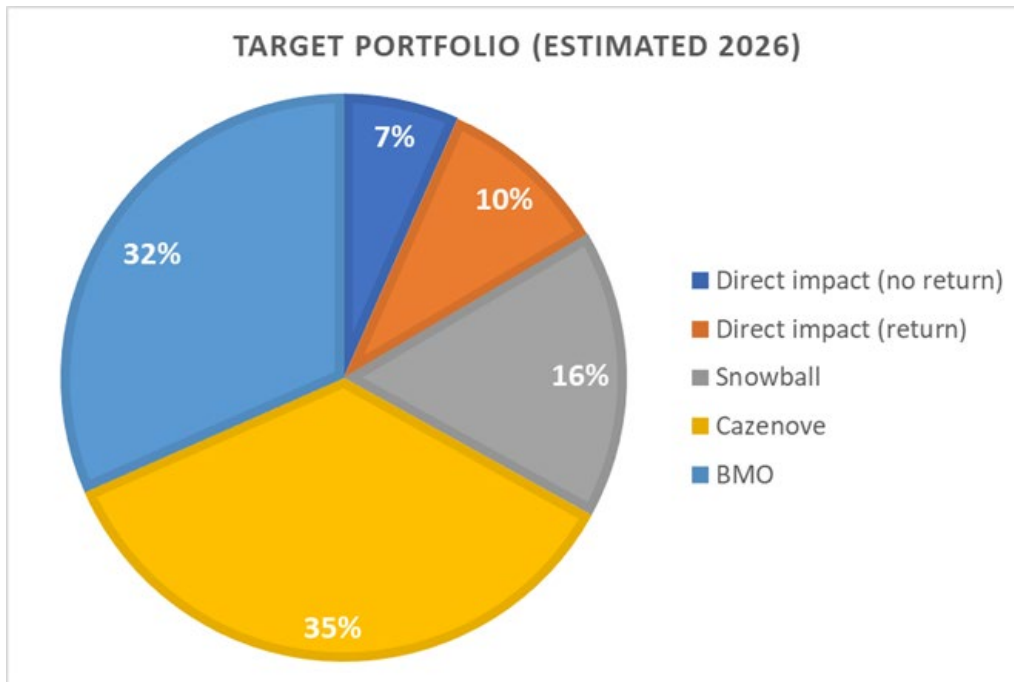
In June 2022, trustees approved a new target investment portfolio and transition plan as part of the Foundation's strategy review. The target investment portfolio increases our allocation to impact investing from 10% of the endowment to 33%.

We estimate the target portfolio will take until 2026 to achieve and estimate a financial return foregone of 0.46%. The Investment Committee will regularly review and monitor progress, income and risk.



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We focus our engagement and social investing 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.

SHAREHOLDER ENGAGEMENT

Just Transition - The Foundation has partnered with Royal London Asset Management to engage energy utility companies on the trends transforming the power sector and to secure a just transition to a low-carbon future. This programme of engagement has informed and been informed by recommendations from the grant funded London School of Economics Grantham Research Institute 'Financing a Just Transition' programme.

We proposed that the companies develop formal 'just transition' strategies that mitigate negative social impacts and embrace opportunities. In response, SSE plc published the world's first formal just transition strategy in November 2020. Following further engagement, Eon, Centrica, EDF and Scottish Power published formal strategies by our deadline of COP26 in November 2021.

Real Living Wage - Along with 10 other members of the ShareAction-led Good Work Coalition, we co-filed a shareholder resolution at Sainsbury's AGM calling for Living Wage accreditation. This was the first ever such shareholder resolution.

Sainsbury's responded to the resolution by agreeing to increase pay to the Real Living Wage (RLW) for its 19,000 direct employees currently paid below it. The investor coalition declined to withdraw the resolution as Sainsbury's would not agree to accreditation or extend RLW to outsourced employees. 17% of shareholders voted in support at the AGM in July 2022.

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See the section 'Climate Emergency Declaration: Annual Statement' (page 25-27) for further examples of shareholder engagement.

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, HSBC, Standard Chartered and Sainsbury's.

SOCIAL INVESTMENTS

Snowball Impact Management Ltd - In 2017 the Foundation became the third partner to join Snowball, a ground-breaking multi-asset impact investment fund. Snowball applies a social and environmental impact lens to all its investment analysis, reporting and decision-making. The purpose of Snowball Impact Management, 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'.

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. The Foundation invested £199,960 in 2020 for equity.

Egni Solar Co-op is 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. The Foundation invested £100,000 in a community share offer in September 2019.

Awel Wind Co-op is a 4.7MW two wind turbine project that is wholly owned and controlled by, and benefits, the local community. The Foundation invested £100,000 in a community share offer in March 2017. Capital of £5,000 has since been repaid.

Energy Garden Ltd is a community benefit society raising funds to develop and acquire solar PV arrays. The income generated will be used to transform London Overground platforms and stations into community gardens and food growing plots and to support volunteers and youth training. The Foundation committed to invest £100,000 in a community share offer in November 2022.

People Powered Retrofit was formed, following a pilot funded by BEIS and a Foundation grant to Carbon Co-op. Its purpose is to develop and deliver domestic energy efficiency, energy management and renewable energy generation services in Greater Manchester and beyond, to advocate for citizen involvement in the energy system and support the dissemination of models. The Foundation invested £40,000 in a community share offer in November 2021.

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Wyre Catchment CIC is a pioneering nature-based solution involving land-use change on up to twelve farms and estates in the upper Wyre catchment in Lancashire. It involves tree planting, restoration of wetlands and re-wetting of peatland, with ecosystem services including flood prevention, carbon sequestration and biodiversity, plus local and downstream economic benefits, including much reduced flood risk. The Foundation is committed to an investment of £90,000 in a nine-year loan via Triodos Bank. The first tranche of £27,000 was paid in September 2022.

Stichting Equileap Foundation is a Dutch-based foundation that 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. We were delighted that Equileap was successful in attracting new investors to support their further growth and they repaid our 2019 investment of £100,000.

Ethex is a non-profit ethical investment club, which has both ethical investors and ethical businesses as members. Through collaboration and the pooling of resources, it aims to promote and encourage businesses that have both social and commercial goals. The Foundation invested £50,000 in 2013, structured as a loan. £10,000 has since been repaid but a further loan note for £17,000 was issued in January 2022, following a restructure.

THE FOUNDATION'S MAINSTREAM INVESTMENTS

Trustees take into account the Foundation's cash flow requirements, potential investment funds, the cost of fund management and their decision to invest ethically when they decide where to invest the Foundation's portfolio. It is currently invested in a range of funds managed by Columbia Threadneedle Investments: CT Responsible Global Equity Fund, CT Responsible UK Equity Fund and CT Responsible Sterling Corporate Bond Fund, and in the Cazenove Capital Sustainable Growth Fund. In addition, funds held in Snowball Impact Investment LP have been reclassified as mainstream investments, having been included within social investments previously. As part of the transition plan to the new target portfolio, we doubled our investment in the Snowball fund to £3m in October 2022 and entered into an agreement to invest a further £1m for every new £10m of investment Snowball raises until the Foundation's investment in the fund totals £5m.

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.

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Top 20 company investments in our Columbia Threadneedle Investments funds at September 2022:

Apple	Linde	Thermo Fisher Scientific	Accenture
Humana	Mastercard	Roper Technologies	CVS Health
Autodesk	Scheider Electric	Mettler-Toldeo Intl	AstraZeneca
CSL	Intercontinental Exchange	Becton Dickinson	HDFC Bank
Xylem	NetApp	Acuity Brands	Wolters Kluwer

Top 10 underlying funds in Cazenove Capital fund at September 2022:

Global Direct Equities	Schroder Global Sustainable Growth Fund	Sparinvest Ethical Global Value Fund	Schroders Sustainable Alternative Assets Fund
UBAM Positive Impact	WisdomTree Hedged Gold ETC	iShares Physical Gold ETC	Invesco USD Treasury UCITS
HSBC Global Equity Sustainable Healthcare Fund	Ninety One Global Environment 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 in the Charities Responsible Investment Network, which is a project of ShareAction UK, supporting a growing number of trusts interested in being more effective stewards of our resources. We are also members of a wider network of charities and other organisations, including the Church Investors Group, Shareholders for Change, UK Sustainable Investment and Finance Association, Good Work Coalition and Workforce Disclosure Initiative.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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REVIEW OF CONVENING AND COMMUNICATIONS

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

STRATEGY

Our communications strategy has been updated to reflect the change in our main grants programme. This year we introduced key performance indicators to monitor our impact. We have set a baseline grounded on previous years and are pleased to have met our targets. We will continue to improve how we measure our impact.

Social media is a big part of how we communicate and disseminate information. We have implemented our second stage of our social media plan and have established the Foundation on Instagram, Facebook and LinkedIn, alongside Twitter.

We updated the Foundation's website to support our revised strategy and grant tools, such as an eligibility quiz and a common application form that applies across grants and social investment. We want the website to be a hub of information, reports, blogs and videos, and aim to increase its accessibility and usability.

We believe that convening events and projects in collaboration with others enables change to occur. Last year, we hosted:

- our annual conference on Zoom (October 2021) with over 65 participants;
- the launch of the Foundation Practice Rating on Zoom (March 2022) with over 200 participants; and,
- a peer learning event on utilising foundation endowments for mission at Toynbee Hall (September 2022) with over 70 participants.

The dissemination of our funded work underpins our charitable aims and public benefit objectives, and during 2021-22 we were pleased to support a number of publications, all of which are available in our website library.

EQUITY AND SOCIAL JUSTICE

As an organisation, we are aware of how the economy impacts and (re)produces inequality. We were pleased to be assessed by the Foundation Practice Rating as part of the funding group of foundations. Its aim is to improve and change practices in charitable foundations in relation to diversity, accountability and transparency.

The assessment highlighted a number of deficiencies in our practices, including: not providing equal access to our funding, for example not having alternative documentation on the website, resulting in barriers for disabled people; and not publishing a diversity plan with improvement targets. We have been working to address equity and social justice issues such as these through the establishment of a working group of staff and trustees.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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This year we have:

- improved the variety of documentation available on the website;
- created more ways that prospective grant holders can contact us; and,
- surveyed trustees and staff on their protected characteristics and class.

The protected characteristics and class of the Foundation's eight **trustees** were as follows:

- Seven identified as white; one identified as a person of colour.
- One identified as having a disability.
- Five identified as women and three as men.
- The age range was evenly distributed and everyone was of working age.
- Four had caring responsibilities.
- Seven had attended state schools.
- When they were growing up, five out of eight trustees had a parent who was at senior management or other professional level.

The protected characteristics and class of the Foundation's six **staff** were as follows:

- Four identified as white; two identified as non-white.
- Three identified as having a disability.
- Four identified as women, one as a man and one as a non-binary person.
- Four were middle aged (over 45 years old), one was aged 35-44 and one was below 34 years old.
- Four had caring responsibilities.
- Five attended state schools in the UK and 1 staff was educated outside the UK.
- There was no single pattern for parental occupation.

We commissioned Guppi Bola (Independent Advisor) to help us consider implementing diversity and intersectionality policies and practices within the Foundation. The results of this report will inform the work of the Equity and Social Justice Working Group for 2022-23.

CLIMATE EMERGENCY DECLARATION – ANNUAL STATEMENT

In September 2019, the Foundation 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'.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

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 2021-22:

- **We used our influence as a shareholder to ‘promote a just and net-zero carbon transition’.**

Since 2020, we have worked with a ShareAction-led investor coalition to engage HSBC on net zero transition and fossil fuel finance. In April 2022, we withdrew our second shareholder resolution in two years following important commitments secured from HSBC, including to:

- phase down financing of fossil fuels in line with limiting global temperature rise to 1.5°C;
- update the scope of its oil, gas and thermal coal policies by the end of 2022;
- update the scope of its fossil fuel targets to cover capital markets activities by the end of 2022; and,
- publish a transition plan in 2023, which will clearly explain how HSBC will implement its net zero ambition and will be aligned with the 1.5°C goal and just transition principles.

Further action will be taken in 2023 if the bank's new policies fall short of its commitments.

In 2022, we also co-filed a shareholder resolution at Standard Chartered with NGO Market Forces. It called on the bank to:

- cease the provision of finance to fossil fuel expansion, including new projects and expansion of existing projects; and,
- adopt short-, medium- and long-term targets to reduce fossil fuel exposure consistent with the goal of net zero by 2050.

The resolution was the first to be aligned with the new International Energy Agency's (IEA) net zero by 2050 pathway and the first ESG resolution to be tabled at Standard Chartered. 12% of shareholders voted in support at the AGM.

We have also been using shareholdings in energy utility companies to successfully engage them to adopt formal just transition strategies (see ‘Review of Investment Activity in 2021-22 page 17 – 21).).

- **We have used our influence with asset managers and the market to ‘ensure active and high standards of shareholder engagement on climate change’.**

Working alongside grant recipient Students Organising for Sustainability (SOS) and the Charities Responsible Investment Network, we produced the ‘COP26 Declaration of Asset Owner Expectations’, which was launched at a fringe event at

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

the COP26 climate talks in November 2021, with 27 founding signatories representing assets of £7 billion.

The Declaration sets minimum standards to judge asset manager claims against and assist others to judge what is good practice and what is greenwashing. During 2022, signatories have been engaging their managers on these standards to help establish them as market norms. Cazenove/Schroders adopted new policies following our engagement and are approaching compliance with the declaration.

- **We have particularly favoured investments in companies whose business models focus on net zero carbon transition.**

Our social investments have a focus on community energy, and in 2021-22 we invested £40,000 in People Powered Retrofit and committed to a new investment of £100,000 in Energy Garden. We also invested £27,000 in nature-based solutions with Wyre Catchment CIC as the first tranche of a £90,000 investment. Our mainstream and Snowball investments include renewable energy, green bonds and energy transition (see 'Review of Investment Activity in 2021-22 page 17 – 21).

- **We committed a strand of our grant work to 'fair transition'**, to address the risk of people and communities being affected by a lack of appropriate 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 2021-22, we gave a grant of £100,000 to Community Energy England to support sector resilience and growth, £85,000 to the London School of Economics Grantham Institute for its 'Financing the Just Transition' programme, £150,000 to Students Organising for Sustainability (SOS) for its 'Invest for Change' programme, with students engaging universities to invest endowments sustainably, £25,500 to Ethical Consumer for its fossil-free investment fund ratings system and £10,000 to Riding Sunbeams to support its reorganisation (see 'New Grants – Projects', page 15-16).

- 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.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

We will continue to deploy our resources and use our influence to help accelerate the transition to a low-carbon future.

THE FUTURE – OUR PLANS FOR 2022-23

Trustees have set following organisational objectives for 2022-23:

1. Implement our rebalanced strategy to reduce grant expenditure and commit more strategic resources to actively use our capital base.
2. Recruit and induct new board member(s) and staff members.
3. Make equity and inclusion central to our work.
4. Build additional capital allocation for impact investment or near market investment.
5. Focus our communications on developing leadership within the foundation sector.
6. Scope, procure and implement new systems to support foundation functions.
7. Design and implement a staff development plan to increase knowledge and productivity.

OUR POLICIES, GOVERNANCE AND OPERATIONS

MANAGEMENT AND ADVICE

- During the year, Columbia Threadneedle [formerly 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.
- Cazenove Capital, the largest charity investment manager in the UK, also managed funds on our behalf.
- Snowball Impact Management Limited also managed funds on our behalf.
- 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 continued as 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.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

- 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, but at a reduced rate.
- Trustees actively review both strategy and resources to manage the risk of this approach.
- The current rate of spend is £2.6 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, such as poor publicity arising from the actions of organisations we fund or inaccurate information on our website: Trustees mitigate and manage this risk.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

- 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 £23.88 million (2021: £29.93 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 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.

In 2021 trustees decided to slow down the reduction of the capital base. This was to enable a rebalance of internal resources to allow greater focus on investment engagement and impact.

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 2022. 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 2022 was £689,814 (2021: £534,602), mainly attributable to dividends and interest received from the principal investments – open-ended investment trusts with underlying investments in equities and corporate bonds. This year, a donation and grant funding for the Foundation Rating Project, being coordinated by the Foundation, added to the income. The total expenditure for the year was £2,950,988 (2021: £3,462,439). Of this, grant commitments amounted to £1,790,313 (2021:

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

£2,588,219) and other expenditure was £1,160,675 (2021: £874,220). Net expenditure for the year was £2,261,174 (2020: £2,927,837) before investment losses of £3,789,640 (2021: gains of £4,049,93), leading to net expenditure of £6,050,814 (2021: net income of £1,122,093).

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 now 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 (£89,915) and the median salary (£32,130) in the Foundation is 2.8:1. The ratio of the top salary to the lowest is 3.5:1. These calculations are based on full-time equivalent salaries, net of salary sacrifice deductions.

The charity made contributions to employees' personal pension plans 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 updated in January 2022. During the year, trustees have formally met four times.

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

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

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. We hold regular training and engagement sessions before Trustee meetings with guest speakers to share learning and engage staff and trustees.

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 open advertisement. 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.

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 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.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

REPORT OF THE TRUSTEES - YEAR ENDED 30 SEPTEMBER 2022

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 organisational 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.

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 14 March 2023 and signed on their behalf by

Stephen Muers, Chair of the Board of Trustees

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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 2022 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 2022 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.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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

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'

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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

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.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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

- 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 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

Date: 14 April 2023

Friends Provident Charitable Foundation

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

For the year ended 30 September 2022

	Note	Unrestricted £	Restricted £	2022 Total £	Unrestricted £	Restricted £	2021 Total £
Income from:							
Donations	2	135,313	–	135,313	216	–	216
Charitable activities	3	–	150,000	150,000	–	140,000	140,000
Investments	4	404,501	–	404,501	394,386	–	394,386
Total income		539,814	150,000	689,814	394,602	140,000	534,602
Expenditure on:							
Raising funds		21,664	–	21,664	12,598	–	12,598
Charitable activities							
Support for Resilient Economies		2,745,066	–	2,745,066	3,396,864	–	3,396,864
Foundation Practice Rating Project		–	184,258	184,258	–	52,977	52,977
Total expenditure	5	2,766,730	184,258	2,950,988	3,409,462	52,977	3,462,439
Net (expenditure)/income before net gains on investments		(2,226,916)	(34,258)	(2,261,174)	(3,014,860)	87,023	(2,927,837)
Net (losses)/gains on investments	13	(3,789,640)	–	(3,789,640)	4,049,930	–	4,049,930
Net (expenditure)/income		(6,016,556)	(34,258)	(6,050,814)	1,035,070	87,023	1,122,093
Transfers between funds		(30,000)	30,000	–	–	–	–
Net movement in funds		(6,046,556)	(4,258)	(6,050,814)	1,035,070	87,023	1,122,093
Reconciliation of funds:							
Total funds brought forward		29,844,115	87,023	29,931,138	28,809,045	–	28,809,045
Total funds carried forward		23,797,559	82,765	23,880,324	29,844,115	87,023	29,931,138

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 previous year.

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 19 to the financial statements.

Friends Provident Charitable Foundation

Balance sheet

Company no. 04228843

As at 30 September 2022

	Note	£	2022 £	£	2021 £
Fixed assets:					
Tangible assets	12		3,550		4,136
Listed Investments	13		25,111,648		31,651,357
Social Investments	14		329,000		544,960
			<u>25,444,198</u>		<u>32,200,453</u>
Current assets:					
Debtors	15	406,294		376,519	
Cash at bank and in hand		974,134		1,208,840	
		<u>1,380,428</u>		<u>1,585,359</u>	
Liabilities:					
Creditors: amounts falling due within one year	16	(2,023,065)		(3,040,923)	
Net current liabilities			<u>(642,637)</u>		<u>(1,455,564)</u>
Total assets less current liabilities			<u>24,801,561</u>		<u>30,744,889</u>
Creditors: amounts falling due after one year	17		(921,237)		(813,751)
Total net assets			<u><u>23,880,324</u></u>		<u><u>29,931,138</u></u>
The funds of the charity:					
Restricted income funds	19a		82,765		87,023
Unrestricted income funds:					
Designated funds		30,000		-	
General funds		23,767,559		29,844,115	
		<u>23,767,559</u>		<u>29,844,115</u>	
Tot All			<u>23,797,559</u>		<u>29,844,115</u>
Total charity funds			<u><u>23,880,324</u></u>		<u><u>29,931,138</u></u>

Approved by the Board of Trustees on 14 March 2023 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 2022

	Note	2022		2021	
		£	£	£	£
Cash flows from operating activities					
Net (expenditure)/income for the reporting period (as per the statement of financial activities)		(6,050,814)		1,122,093	
Depreciation charges		1,947		1,560	
Dividends, interest and rent from investments		(404,501)		(394,386)	
Losses/(gains) on investments		3,789,640		(4,049,930)	
Impairment losses		399,960		300,000	
Increase in debtors		(29,775)		(262,815)	
Decrease in creditors		(910,372)		(281,985)	
Net cash used in operating activities		(3,203,915)		(3,565,463)	
Cash flows from investing activities:					
Dividends, interest and rents from investments		404,501		394,386	
Purchase of fixed assets		(1,361)		(2,028)	
Proceeds from sale of investments		2,617,704		12,928,063	
Purchase of investments		(289,009)		(10,110,031)	
Transfer in to investment funds		(12,845)		(1,958)	
Funds released for reinvestment		250,000		200,000	
Net cash provided by investing activities		2,968,990		3,408,432	
Change in cash and cash equivalents in the year		(234,925)		(157,031)	
Cash and cash equivalents at the beginning of the year		1,281,293		1,438,324	
Cash and cash equivalents at the end of the year a		1,046,368		1,281,293	

Analysis of cash and cash equivalents and of net debt

	At 1 October 2021	Cash flows	Other non- cash changes	At 30 September 2022
	£	£	£	£
Cash held as part of investment portfolio	72,453	(219)	–	72,234
Cash at bank and in hand	1,208,840	(234,706)	–	974,134
a Total cash and cash equivalents	1,281,293	(234,925)	–	1,046,368

The charity held no borrowings at either 1 October 2021 or 30 September 2022.

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 liabilities are recognised in full for the following 12 months but there is no corresponding income recognised. In addition, the Foundation has significant resources available in fixed asset investments which can be drawn down as required to fund working capital.

e) Income

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

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.

The investment assets derived from the donation of £20 million from Friends Provident plc in 2004. The assets are expendable 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.

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, which would ordinarily equate to market value where this is available. Where fair value is not practicable, social investments are recognised at cost less impairment. An annual review is carried out, either by external independent consultants or by Foundation staff, to determine whether investments should be impaired. Any impairment losses are included within expenditure during the year.

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.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2022

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 donations

	2022 Total £	2021 Total £
Donations	135,313	216
	<u>135,313</u>	<u>216</u>

The Foundation received a large one-off donation from a private donor during the year which has been included within unrestricted funds. It was fully expended during the year.

3 Income from charitable activities

	2022 Total £	2021 Total £
Grant income for Foundation Practice Rating Project	150,000	140,000
	<u>150,000</u>	<u>140,000</u>

All income from charitable activities is restricted.

4 Income from investments

	2022 Total £	2021 Total £
Gross dividends	374,852	389,090
Income from social investments	29,073	5,216
Bank interest	576	80
	<u>404,501</u>	<u>394,386</u>

All income from investments is unrestricted.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2022

5a Analysis of expenditure (current year)

	Charitable activities		Foundation	Governance costs £	Support costs £	2022 Total £	2021 Total £
	Raising funds £	Support for Resilient Economies projects £	Practice Rating Project £				
Investment manager's fees	16,603	-	-	-	-	16,603	12,398
Investment advice & other costs	5,061	-	-	-	-	5,061	200
Grant commitments	-	1,790,313	-	-	-	1,790,313	2,588,219
Impairment losses	-	399,960	-	-	-	399,960	300,000
Staff costs (Note 8)	-	-	-	49,004	277,687	326,691	306,202
Staff training, expenses & other related costs	-	-	-	-	21,977	21,977	12,183
Grant advisory group, assessors & grantee support	-	-	-	-	6,825	6,825	5,065
Learning Strategy	-	-	-	-	500	500	-
Equity Group	-	-	-	-	800	800	-
Performance evaluation	-	-	-	-	-	-	14,280
Communication, dissemination & website costs	-	-	25,619	-	56,339	81,958	51,741
Overhead costs	-	-	-	-	66,218	66,218	60,632
Investment engagement fees	-	-	-	-	19,283	19,283	27,170
Legal & professional fees	-	-	158,639	-	31,886	190,525	68,100
Auditor's remuneration	-	-	-	10,348	-	10,348	9,500
Trustee meetings & expenses	-	-	-	13,926	-	13,926	6,749
	21,664	2,190,273	184,258	73,278	481,515	2,950,988	3,462,439
Support costs	-	481,515	-	-	(481,515)	-	-
Governance costs	-	73,278	-	(73,278)	-	-	-
Total expenditure 2022	21,664	2,745,066	184,258	-	-	2,950,988	
Total expenditure 2021	12,598	3,396,864	52,977	-	-		3,462,439

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 previous year.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2022

5b Analysis of expenditure (prior year)

	Charitable activities					2021 Total £
	Raising funds £	Support for Resilient Economies projects £	Foundation Practice Rating Project £	Governance costs £	Support costs £	
Investment manager's fees	12,398	-	-	-	-	12,398
Investment advice & other costs	200	-	-	-	-	200
Grant commitments	-	2,588,219	-	-	-	2,588,219
Impairment losses	-	300,000	-	-	-	300,000
Staff costs (Note 8)	-	-	-	45,930	260,272	306,202
Staff training, expenses & other related costs	-	-	-	-	12,183	12,183
Grant advisory group, assessors & grantee support	-	-	-	-	5,065	5,065
Performance evaluation	-	-	-	-	14,280	14,280
Communication, dissemination & website costs	-	-	12,977	-	38,764	51,741
Overhead costs	-	-	-	-	60,632	60,632
Investment engagement fees	-	-	-	-	27,170	27,170
Legal & professional fees	-	-	40,000	-	28,100	68,100
Auditor's remuneration	-	-	-	9,500	-	9,500
Trustee meetings & expenses	-	-	-	6,749	-	6,749
	12,598	2,888,219	52,977	62,179	446,466	3,462,439
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

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2022

6 Grant making (current year)

	2022 £	2021 £
Grants payable at the start of the year	3,812,110	4,098,302
Grant commitments made in the year	1,673,130	2,455,296
Grants (written back) or adjusted	117,183	132,923
Net grants committed in the year	<u>1,790,313</u>	<u>2,588,219</u>
Grants paid	<u>(2,696,671)</u>	<u>(2,874,411)</u>
Grants payable at the end of the year	<u>2,905,752</u>	<u>3,812,110</u>
Creditors: amounts due within one year (note 16)	1,984,515	2,998,359
Creditors: amounts due in over one year (note 17)	921,237	813,751
Total creditors at the end of the year	<u>2,905,752</u>	<u>3,812,110</u>

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

7 Net (expenditure)/income for the year

This is stated after charging / (crediting):

	2022 £	2021 £
Depreciation	1,947	1,560
Operating lease rentals payable:		
Property	19,350	19,200
Auditor's remuneration (excluding VAT):		
Audit	7,800	7,400

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

Staff costs were as follows:

	2022 £	2021 £
Salaries and wages	259,871	241,435
Social security costs	22,409	20,015
Employer's contribution to defined contribution pension schemes	43,375	42,008
Other forms of employee benefits	1,036	2,744
	<u>326,691</u>	<u>306,202</u>

8 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:

	2022 No.	2021 No.
£60,000 – £69,999	–	1
£70,000 – £79,999	1	–

The total employee benefits (including employer's pension contributions and employer's national insurance) of the key management personnel were £257,625 (2021: £242,965).

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2021: £nil). No charity trustee received payment for professional or other services supplied to the charity (2021: £nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totalling £792 (2021: £181) incurred by 9 (2021: 9) members relating to attendance at meetings of the trustees.

9 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 8.3 (2021:8.0). The full time equivalent number of staff was 6.8 (2021: 6.8).

10 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 £122,000 was made to Fairshare Educational Foundation (Share Action) to fund a project on ethnicity pay gap reporting. Paul Dickinson is a trustee of both organisations and became Chair of Share Action in November 2018. (The full amount was included in grant creditors at 30 September 2022.)

Ann Don Bosco is a trustee at Economy which was given funding of £10,000 this year to cover increases in the cost of living. This was added to the core funding of £190,000 approved last year. (£100,000 was included in grant creditors at 30 September 2022.)

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 £300,000 was made in December 2020 to provide core funding. Paul Dickinson is a trustee of both organisations and became Chair of Share Action in November 2018. (£100,000 was included in grant creditors at 30 September 2022.)
- For the Foundations Practice Ratings Project which started last 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 in January 2021, none of which was included in grant creditors at 30 September 2022.)
- 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 2022.)

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

As part of social investments, the Foundation has invested in Snowball which offers a portfolio of impact investments, with the aim of providing competitive returns and measurable impact across the interconnected themes of social equity and environmental sustainability. The Foundation holds shares in Snowball Impact Management Ltd and also has investments in the Snowball Impact Investments LP fund which were valued at £1,244,425 at 30 September 2022 (see note 13).

There are no donations from related parties (2021: None) which are outside the normal course of business and no restricted donations from related parties (2021: None).

11 Taxation

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

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2022

12 Tangible fixed assets

	Computer equipment £	Total £
Cost		
At the start of the year	15,038	15,038
Additions in year	1,361	1,361
At the end of the year	<u>16,399</u>	<u>16,399</u>
Depreciation		
At the start of the year	10,902	10,902
Charge for the year	1,947	1,947
At the end of the year	<u>12,849</u>	<u>12,849</u>
Net book value At the end of the year	<u>3,550</u>	<u>3,550</u>
At the start of the year	<u>4,136</u>	<u>4,136</u>

All of the above assets are used for charitable purposes.

13 Listed investments

	2022 £	2021 £
Fair value at the start of the year	31,578,904	28,940,048
Additions at cost	5,009	10,015,031
Disposal proceeds	(2,517,704)	(12,928,063)
Transfer in during year	12,845	1,958
Reclassification of Snowball Impact Investments LP (see below)	-	1,700,000
Funds released for reinvestment	(250,000)	(200,000)
Net (loss)/gain on change in fair value	(3,789,640)	4,049,930
	<u>25,039,414</u>	<u>31,578,904</u>
Cash held by investment broker pending reinvestment	72,234	72,453
Fair value at the end of the year	<u>25,111,648</u>	<u>31,651,357</u>
	<u>2022</u>	<u>2021</u>
	<u>£</u>	<u>£</u>
Historical costs of listed investments at the year end	<u>20,167,662</u>	<u>20,392,091</u>
Investments comprise:		
	<u>2022</u>	<u>2021</u>
	<u>£</u>	<u>£</u>
UK Common investment funds	23,735,281	30,025,740
Shares listed on the London Stock Exchange	59,708	53,164
Other investments	1,244,425	1,500,000
Cash	72,234	72,453
	<u>25,111,648</u>	<u>31,651,357</u>

Further to a re-assessment of the nature and purpose of the Foundation's holding in Snowball Impact Investments LP, the holding was reclassified (in both 2022 and 2021) as a listed investment (rather than as a social investment, as previously reported). This has had no impact on the carrying value of the investment recorded as at 30 September 2021.

On 30 September 2022, £250,000 of funds were released from the investment in Snowball Impact Investments LP. These funds were held as a debtor at the year end (see note 15 below), before being reinvested into Snowball Impact Management Limited (SIML) on 6 October 2022. (An amount of £200,000 was released in the same way on 30 September 2021, being reinvested into SIML on 6 October 2021.)

Notes to the financial statements

For the year ended 30 September 2022

13. Listed investments (continued)

After the year end, on 19 October 2022, £1,692,871 was transferred from listed investments managed by Columbia Threadneedle (formerly BMO) to Snowball Impact Investments LP. This was following a commitment to increase the funds invested in Snowball Impact Investments LP up to a maximum of £5 million or 10% of the value of the fund, whichever is the lower, by 31 December 2024. This transaction will be reflected in the accounts for the year ahead, ending 30 September 2023.

Individual holdings of listed fixed asset investments, held at 30 September 2022, which represent a material proportion of the total value of the fixed asset investment portfolio were as follows:

	Valuation £	Proportion %
Cazenove Sustainable Growth Fund	10,052,108	40.0
BMO Responsible UK Equity Fund	4,740,501	18.9
BMO Responsible Global Equity Fund	4,545,127	18.1
BMO Responsible Sterling Corporate Bond Fund	4,397,544	17.5
Snowball Impact Investments LP	1,244,425	5.0

14 Social investments

	2022 £	2021 £
Balance at the start of the year	544,960	2,449,960
Additions at cost	284,000	95,000
Loan repayment	(100,000)	-
Reclassification of Snowball Impact Investments LP (see note 13)	-	(1,700,000)
Impairment charge	(399,960)	(300,000)
Balance at the end of the year	<u>329,000</u>	<u>544,960</u>

All social investments have been valued at historical cost, less impairment.

On 2 September 2022, £27,000 was invested in Wyre Catchment CIC, an environmental project based in Lancashire. This is the first tranche of a loan commitment of up to £90,000. Subsequent tranches can be drawn up to November 2024, with repayment of the loan due by November 2030.

A ten-year loan of £100,000 made to the Stichting Equileap Foundation, in July 2018, was repaid early, in November 2021.

Funds of £200,000 invested into Snowball Impact Management Limited (SIML) on 14 October 2021 were impaired, in accordance with our social investment policy. This policy would also lead to the £250,000 invested post year-end being impaired. It was always anticipated that SIML would need additional capital whilst the Snowball Impact Investments LP fund grew to scale and there are plans in place for further capitalisations.

Funds of £199,960 invested in Riding Sunbeams Apollo Limited have been impaired as at 30 September 2022. The company was established to provide community solar power to train operators. An initial project with Network Rail was terminated and new investors are being sought to resume project development.

Individual holdings of social investments, held at 30 September 2022, which represent a material proportion of the total value of the social investment portfolio were as follows:

	Valuation £	Proportion %
Egni Co-op	100,000	30.4
AWEL Co-op	95,000	28.9
Energy Gardens	50,000	15.2
People Powered Retrofit Ltd	40,000	12.2
Wyre Catchment CIC	27,000	8.2
Ethex Investment Club	17,000	5.1

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15 Debtors

	2022 £	2021 £
Grants receivable	15,000	70,000
Funds held for reinvestment (see notes 13 and 14 above)	250,000	200,000
Other debtors	2,008	1,654
Prepayments	12,972	13,582
Accrued income	126,314	91,283
	406,294	376,519

16 Creditors: amounts falling due within one year

	2022 £	2021 £
Grants payable (note 6)	1,984,515	2,998,359
Other creditors	-	7,067
Accruals	38,550	35,497
	2,023,065	3,040,923

17 Creditors: amounts falling due after one year

	2022 £	2021 £
Grants payable – within 1 to 5 years (note 6)	921,237	813,751
	921,237	813,751

18a Analysis of net assets between funds (current year)

	Restricted £	General unrestricted £	Designated £	Total funds £
Tangible fixed assets	-	3,550	-	3,550
Investments	-	25,440,648	-	25,440,648
Current assets	82,765	1,267,663	30,000	1,380,428
Current liabilities	-	(2,023,065)	-	(2,023,065)
Long term liabilities	-	(921,237)	-	(921,237)
Net assets at 30 September 2022	82,765	23,767,559	30,000	23,880,324

18b Analysis of net assets between funds (prior 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

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2022

19a Movements in funds (current year)

	At 1 October 2021 £	Income & gains £	Expenditure & losses £	Transfers £	At 30 September 2022 £
Restricted funds:					
Restricted funds:					
Foundation Practice Rating Project	87,023	150,000	(184,258)	30,000	82,765
Total restricted funds	87,023	150,000	(184,258)	30,000	82,765
Unrestricted funds:					
Designated funds:					
Foundation Practice Rating Project – funds contributed by Friends Provident Foundation	-	-	-	30,000	30,000
Total designated funds	-	-	-	30,000	30,000
General funds	29,844,115	539,814	(6,556,370)	(60,000)	23,767,559
Total funds	29,931,138	689,814	(6,740,628)	-	23,880,324

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

The transfer of £30,000 from the Foundation's unrestricted fund to the Practice Rating Project restricted fund represents the Foundation's contribution towards the project. A further £30,000 has been designated in recognition of the fact that a further £30,000 will be transferred by the Foundation to the project in the year ending 30 September 2023.

19b Movements in funds (prior year)

	At 30 September 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	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

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.

Friends Provident Charitable Foundation

Notes to the financial statements

For the year ended 30 September 2022

19 Movements in funds (continued)

Purpose of designated funds

The designated funds held at 30 September 2022 represent a further contribution towards the Foundation Practice Rating Project by Friends Provident Foundation which was approved by Trustees in September 2022. These funds have been agreed in principle and will only be utilised if needed, as new funders are being added to the project going forward and so their contributions may cover the project costs.

20 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 2022 £	2021 £
Less than one year	21,000	17,600
One to five years	19,250	-
	<u>40,250</u>	<u>17,600</u>

21 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.