



**Friends Provident Foundation
Annual Report 2015–16**



A review of the year

CHAIR'S INTRODUCTION

In 2016 Friends Provident Foundation launched a new strategy – to help create a **'fairer economy, better world'**. There are three ways in which the Foundation contributes to this through:

1. Giving grants.
2. The way we manage our investments.
3. Our power to convene and communicate.

To implement our strategy we have invested in new staffing, and Trustees are grateful to the staff – old and new – for helping the Foundation to increase our impact.

Very few funders focus on understanding and changing the nature of the economy. And yet the problems we face are urgent, including the casualisation of an increasing proportion of the workforce, major regional economic imbalances, and long-term environmental issues, such as climate change, that have the potential to impact on the economy. Therefore, Trustees took the decision this year that we will use our capital endowment, not just our income, to fund suitable quality projects. We have also taken an explicit decision





to consider more core funding of organisations with whom we have built a relationship of trust. We have sought legal advice to ensure our grant conditions are within existing Charity Commission guidance.

I am proud of the work that we do. For a relatively small organisation, the Foundation has wide ranging impact. We are **changing the way that economics is taught** through funding the CORE economics programme and the Rethinking Economics campaign. We are **galvanising investors to take a stand for social and environmental matters** through funding ShareAction. And we are **changing public discussion about economics** through funding Open Democracy and the RSA's Citizens' Economic Council.

The Foundation works with a wide range of partners, stakeholders and grantees. If you share our aspirations and are not already working with us in some way, I encourage you to do so.

Hetan Shah, Chair of the Board of Trustees

Fairer economy, better world

DIRECTOR'S REVIEW

The year 2016 has been a landmark one for the Foundation. In the last 12 months we have:

- crystallised and implemented our new strategy, 'fairer economy, better world';
- created new functions and roles;
- doubled the number of staff;
- determined that Trustees will spend down the endowment in pursuit of our mission;
- moved offices; and
- continued to deliver a high-quality service to our grant-holders, applicants and Trustees.



All this change has been both exciting and challenging. It was only possible with the support of longstanding staff – Andrew Thompson and Sue Scott – who took on new tasks, helped to make the changes happen and acted throughout with professionalism and good humour.

We welcomed three new colleagues to the Foundation this year – Colin Baines, Abby Gibson and Nicola Putnam – who bring their own skills, energy and expertise to our central mission to bring about a fairer economy and to improve the society in which we live. We also said farewell to our Grants Manager of nine years, Andrew Thompson; his conscientiousness and commitment will be greatly missed.

The need for a fairer society has never seemed more important than in the changed political and social context of the UK voting to leave the European Union and the election of Donald Trump as President of the United States. The impact on global and national economies is still unclear; however, such change creates both challenges and opportunities. The Foundation's new strategy – **to use its key tools of grants, investment management and communication to create a fairer economy and a better world** – puts us in a strong position to face both.

This year we said goodbye to four longstanding Trustees – Jennifer Barraclough, Jim Gilbourne, Raj Thamotheram and Whitney Thomas. All have been skilful, conscientious, generous Trustees – the very essence of critical friends – and they will be missed by staff and fellow Trustees alike. We welcomed three new Trustees on 1 January 2017 – Patrick Hynes, Kathleen Kelly and Stephen Muers. They bring a breadth of experience and skills to the Board and we look forward to working with them.

Danielle Walker Palmour, Director

Our activities and achievements in the past year

The Foundation's objectives for 2015–16, as set by Trustees, were:

1. **The Foundation will establish a new strategic approach to integrate grant-making, internal operations, programme-related and mainstream market investment activities on a thematic basis, supported by the new Investment Engagement Manager.**

Achieved: We created a new role and function within the Foundation of Investment Engagement Manager to take forward this strategic, thematic approach to our investments. The new post was filled by Colin Baines in July 2016.

2. **The Foundation will determine three key themes to be pursued arising from our programmes of grants and social investments.**

Achieved: Trustees determined that over the next year our themes will be:

- addressing inequality through more transparent executive pay structures;
- building economic resilience through community energy and engaging the utilities market;
- engaging more effectively with asset managers and working with other foundations to increase pressure for change in these areas.

We are currently developing individual strategies to take forward this work.



3. **The Trustee group will continue its review of investment objectives, approach, advice and managers.**

Achieved: Trustees have continued to work on this matter over the course of the year and have recently changed the governance arrangements for 2017 to ensure ongoing Trustee oversight of and engagement in our investment activity through an Investment Committee.

4. **Trustees will consider proposals from the Trustee-led group reviewing our grant-making on how to improve the Foundation's practice.**

Achieved: The Better Grant-Making Group of Trustees and staff reviewed our existing systems and made recommendations, which were agreed in June 2016.

5. **The Foundation will review its social media presence and website, for the implementation of a communications strategy.**

Partially achieved: This has not progressed over the course of the year, although Trustees agreed steps toward a communications plan in March 2016. The creation of the new role of Communications Manager in June 2016 and subsequent recruitment process means that we expect this will proceed in 2016–17.

6. **The Foundation will continue to consolidate and further improve its administrative, grant-making and direct investment systems.**

Achieved: Information for grant-holders was revised over the course of the year. The Foundation also became a Living Wage Friendly Funder, supporting moves toward Living Wage accreditation amongst organisations we support through grants and direct investment. We instituted an electronic system to gather Trustee views on outline applications before meetings, which we are refining, and introduced more staff input into the final portfolio of grants agreed by Trustees.

Our giving programmes

Building Resilient Economies

The main focus of this programme of grants and investment is to help build an economic system that distributes social and economic goods and services more fairly, balancing short-term and long-term needs more effectively.

We aim to support work at two levels:

1. **Systems Change:** We wish to support ‘disruptive innovation’ that will actually change the ways that financial goods and services are delivered and valued. We want to explore and inform changes and innovation in regulation, policy and ways of working that will contribute to a more resilient economic system.
2. **Local Economic Resilience:** Our work at the local level will focus on local or small-scale initiatives that build economic resilience through diversity, flexibility and building capabilities. We wish to support effective local practice, particularly focusing on local financial infrastructure and approaches.

The Right Use of Money

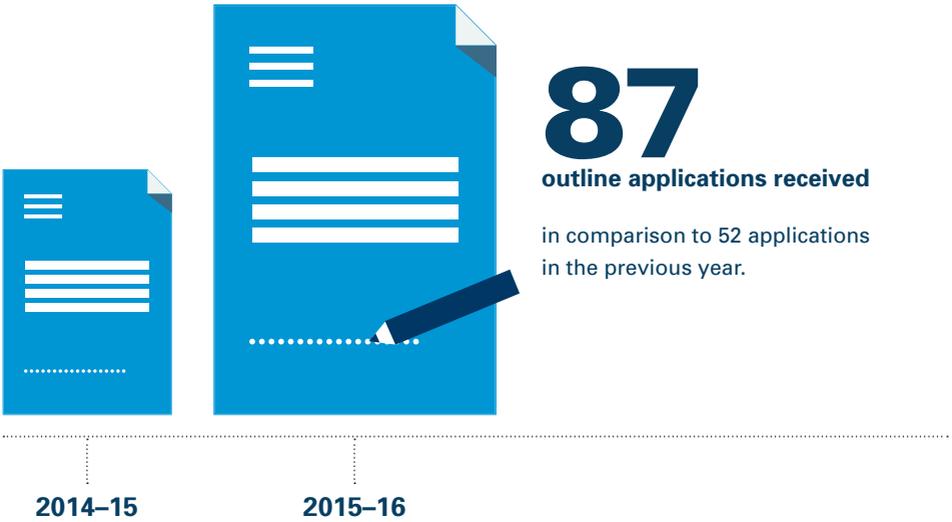
This strand of our giving is an overarching concern in our work. The central questions that animate the Foundation relate to how financial systems can create and sustain social harmony whilst also delivering economic goods and services; our main giving programme, Building Resilient Economies, brings this even more centrally into our work.

Alongside the Building Resilient Economies programme, the Foundation will continue to explore the Right Use of Money by supporting a small number of projects focused on ethical issues in the financial system.

The infographic on pages 8 and 9 shows the pattern of applications for the Building Resilient Economies and Right Use of Money programmes.

Our year in pictures

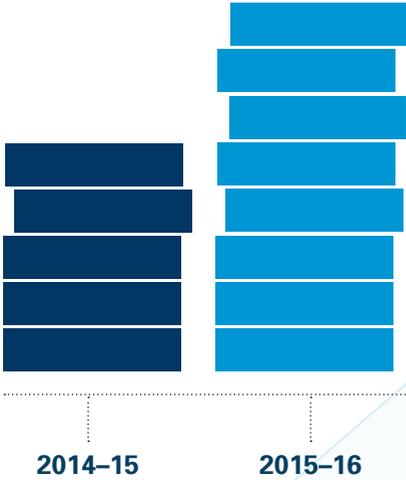
Applications received



Organisations applying



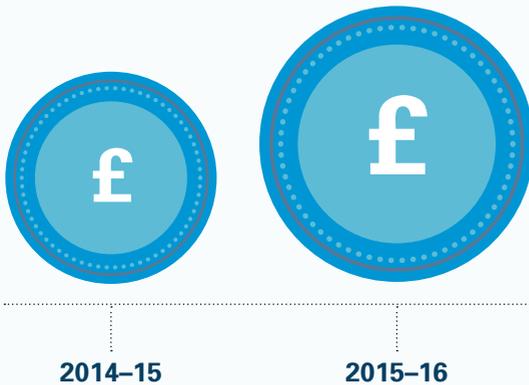
Amounts requested



£8 million
requested in funding

in comparison to £5.4 million in the previous year.

Grants awarded



£1.7 million
new financial commitments

in comparison to £1.3 million in giving last year.

21
new grants

against the Building Resilient Economies and Right Use of Money themes. This compares to 16 grants in the previous year.

Publications

A number of projects reached their conclusion and the following outputs were published. These are available on the Foundation's website www.friendsprovidentfoundation.org

Local Economic Resilience

Financial Innovation Today: Towards economic resilience,
Bauman Institute, University of Leeds

Creating Good City Economies in the UK, CLES and NEF

One project from the **Financial Inclusion** programme (now closed) published a further output:

Living with Debt After Advice: A longitudinal study of those on low incomes, University of Warwick

The wide dissemination of funded work is a key element of ensuring that our work contributes toward the Foundation's charitable aims and public benefit objectives.



Our financial resources and how we use them

Ethical investment policy

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

Taking into account the cash flow requirements, potential investment funds, the cost of fund management and their decision to invest ethically, Trustees invested the Foundation's portfolio in a range of funds managed by BMO Global Asset Management: Responsible Global Equity Fund (Inc) (Share Class 4), Responsible Sterling Bond Fund (Inc) (Share Class 2) and Responsible UK Equity Growth Fund (Inc) (Share Class 4). The Foundation maintains a facility to deposit cash it does not immediately require for operational purposes with Triodos Bank NV, thereby seeking to ensure the ethical management of the Foundation's cash as well as its investments.

Trustees have developed our thinking on the Foundation's investment beliefs and policies; this is available on our website.* We continue to work with other trusts and foundations in the Charities Responsible Investment Network, which is a project of ShareAction UK, supporting a growing number of trusts interested in being more effective stewards of our resources. We are also members of a wider network of charities and other organisations in the Church Investors Group, supported by CCLA.

* www.friendsprovidentfoundation.org/about-us/beliefs

Climate risk and our investments

Whilst the Foundation is not primarily focused on environmental concerns, Trustees are mindful of the view of a wide range of experts that climate risk is arguably the biggest risk to economies today.

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

Social investment policy

The primary aim of social investments is to pursue the Foundation's broad charitable objectives and focused programmatic objectives using financial instruments other than grants. The secondary aim of social investments is to produce a financial return.

In 2013 Trustees agreed that up to 10 per cent of the investible funds could be invested into financial instruments to which the Foundation's general charitable objectives and specific programme aims could be applied.

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 to 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 to programme aims, Trustees might look for levels of risk and return that are closer to the benchmark for that asset class.

Read more about our social investments on the information card with this review and on our website.

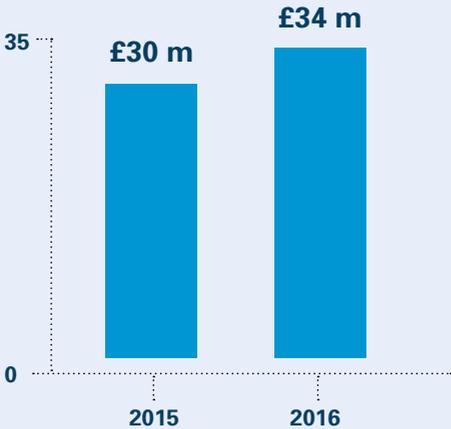
Objectives for 2016–17

1. **Grants and social investments:** To build an effective grants team with shared standards and approaches of the highest order.
2. **Using our endowment as a tool for change:** To establish an investment engagement strategy for our three key themes: addressing inequality through more transparent executive pay structures; building economic resilience through community energy and engaging the utilities market; and engaging more effectively with asset managers and working with other foundations to increase pressure for change in these areas.
3. **Convening, collaborating, influencing and communicating:** To establish an effective communications strategy and implement it in support of the key themes in Objective 2.
4. **A strong and cohesive team:** To build a strong operational staff team and effective Trustee body.
5. **Continuous improvement:** To continue to consolidate and further improve our administrative, grant-making and investment systems.
6. **Learning – effective governance and organisational development.** To establish a programme of staff and Trustee learning events for 2016–17.



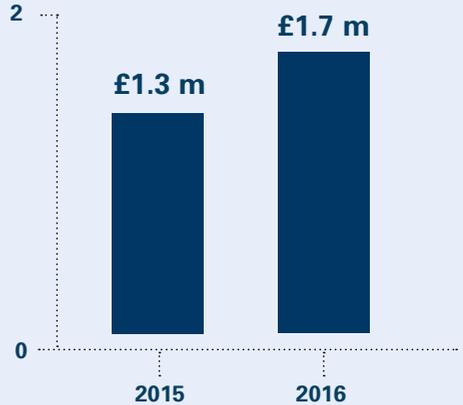
Foundation investments

In 2015–16 the market value of the Foundation's investments increased from £30 million to £34 million. Investment income fell to £913,357.



Grant commitments

Expenditure on external grant commitments increased from £1,299,014 in 2015 to £1,693,241 in 2016.



Charitable activities to 30 September 2016

	Total 2016 (£)	Total 2015 (£)
Costs of generating funds	7,534	7,432
Support for grant-making programmes	1,925,880	1,501,680
Governance costs	35,367	33,651
Total	1,968,781	1,542,763

Balance sheet as at 30 September 2016

	2016 (£'000)	2015 (£'000)
Investment (market value)	34,265	30,612
Intangible assets	0	0
Equipment	2	2
Net current assets/(liabilities)	(965)	(117)
Long-term creditors	(473)	(465)
Total funds	32,829	30,032

Trustees of Friends Provident Foundation

Jennifer Barraclough (resigned 31 December 2015)

Joycelin Dawes (Chair until 31 December 2015)

Paul Dickinson

Joanna Elson

Jim Gilbourne (resigned 31 December 2016)

Patrick Hynes (appointed 1 January 2017)

Kathleen Kelly (appointed 1 January 2017)

Rob Lake

Stephen Muers (appointed 1 January 2017)

Hetan Shah (appointed Chair from 1 January 2016)

Aphra Sklair

Raj Thamotheram (resigned 22 December 2016)

Whitni Thomas (resigned 31 December 2016)

Our purpose

Friends Provident Foundation is an independent endowed charity working to create a fairer economy and better world, supporting greater economic resilience through building knowledge and taking action at the strategic and local levels. The Foundation takes an integrated approach to its mission and capital base and alongside grant making uses its endowment as a tool for change, including through social investments and shareholder engagement.

Friends Provident Foundation's main grant giving and investment programme, Building Resilient Economies, was launched in 2013. Its aim is to build a more resilient, sustainable and fairer economic system – one that distributes social and economic goods and services more fairly, and balances short-term and long-term needs more effectively.

www.friendsprovidentfoundation.org, or follow us on Twitter

Further information

The Foundation website www.friendsprovidentfoundation.org includes:

- ☰ information on current grants and how to apply for funding;
- ☰ pdfs of all our published summaries and full research reports;
- ☰ the full annual accounts for 1 October 2015 to 30 September 2016;
- ☰ a list of staff and Trustees.

Contact us

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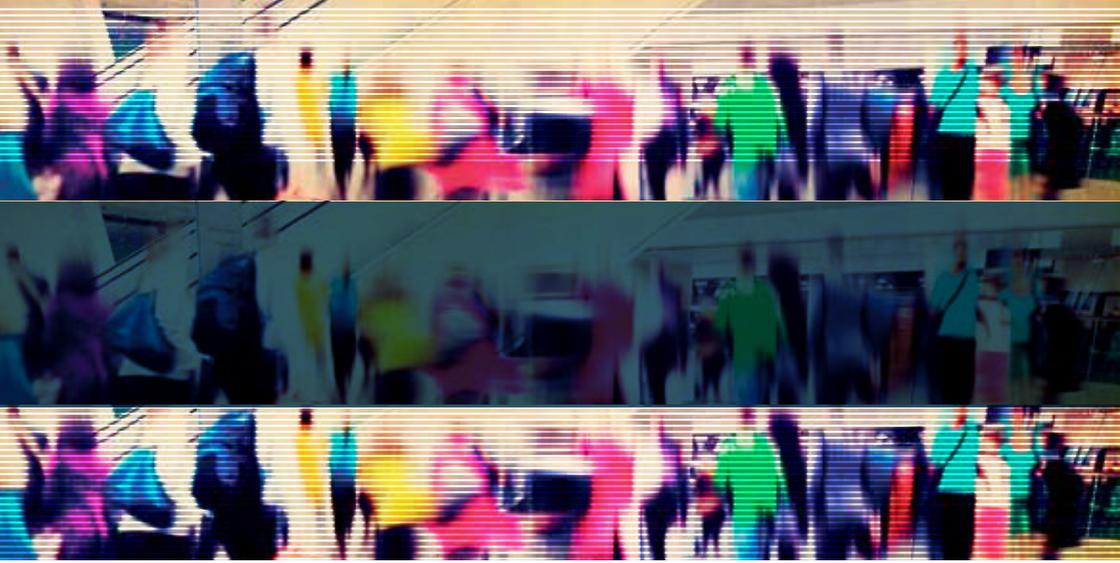
Fairer economy, better world

Friends Provident Charitable Foundation

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Registered in England and Wales. Company No: 4228843



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