abrdn
Financial Fairness Trust

ANNUAL REPORT AND ACCOUNTS

for the year ended 31 December 2023

Charity Number, registered with OSCR: SC040877
Company limited by guarantee, registered in Scotland, SC359717

Contents

Trustees and committee members

Board of trustees

Trustees are also directors for the purposes of company law. Further information on the Trust's structure, governance and management can be found on pages 27 to 29.

All trustees are independent from abrdn plc apart from one, who is employed and nominated by abrdn.

Committees

Finance, Investment and Risk

James Daunt	(Chair)
Alistair Darling	(to 08.11.23)
Jeffrey Hayes	(co-opted member)
Wendy Loretto	
David Norgrove	(from 08.11.2023)
Euan Stirling	

Nomination, Governance and Remuneration

Graeme McEwan	(Chair)
Alistair Darling	(to 08.11.23)
Ella Hugh	(to 12.05.23)
Naomi Eisenstadt	
Euan Stirling	

Research and Grants

David Hall	(Chair)	**Jenny Marra**	
Kate Bell		**Graeme McEwan**	
Sharon Collard	(co-opted member)	**David Norgrove**	(from 08.11.23)
Alistair Darling	(to 08.11.23)	**Matthew Upton**	
Naomi Eisenstadt			
Wendy Loretto			

Staff and professional services firms

Company secretary

Mubin Haq

Senior staff

Mubin Haq – Chief Executive

Karen Barker – Head of Policy and Research

Jenny Charalambous – Head of Finance and Operations

Charlotte Morris – Head of Communications

Policy adviser

Donald Hirsch

External auditor

KPMG LLP
Saltire Court,
20 Castle Terrace
Edinburgh
EH1 2EG

Solicitors

Burness Paull LLP
50 Lothian Road
Edinburgh
EH3 9WJ

Bankers

HSBC Bank plc
31 Holborn
Holborn Circus
London
EC1N 2HR

Investment manager

LGT UK (from 01.09.23)
14 Cornhill
London
EC3V 3NR

Investment manager

abrdn Capital (to 31.08.23)
1 George Street
Edinburgh
EH2 2LL

Custodian

FNZ (UK)
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Edinburgh
EH3 5DA

Chair's statement

David Norgrove
Chair

I joined the Board as Chair in November 2023, taking over from Alistair Darling who had chaired the Trust since 2017. Alistair of course brought to the Trust a great store of wisdom and experience. But what stood out for me even in the little time I knew him was his commitment to social justice. That comes through still in the work done by the Trust. His leadership has been key to the way the Trust works and the impact that it has. He is greatly missed.

During 2023 we awarded nearly £2 million in line with our funding priorities, focussed particularly on the cost-of-living crisis that faces so many millions of people, touching on inflation, savings, taxation and inequality and leading to proposals for concrete solutions. Our report with the Fabian Society for example highlighted the need for a comprehensive new system of employment insurance to address the inadequacies of current provision when people are sick, unemployed, caring or go on maternity leave. And our Commission on the Future of Employment Support with the Institute for Employment Studies outlined the need for major reforms in support especially for groups furthest from the labour market such as disabled people. We look forward to the Commission's final recommendations in 2024. Other important work has tackled transport, childcare and energy costs, and contributed to policy changes.

We are putting substantial resource behind a Pensions Review in partnership with the Institute for Fiscal Studies (IFS). This will be the most comprehensive review of living standards in retirement since the Pensions Commission of 2005. We recognised the need to take stock since the important reforms prompted by the Commission. Despite those positive reforms it is clear that too many people are still saving too little for retirement and many others, for example the self-employed and those in insecure work, have no private pension. We need further change and the IFS work will point the way. A series of reports will be produced in the run-up to the final recommendations in 2025.

This year we also agreed an initiative to examine climate change and how the action to tackle it might impact on the living standards of people on low-to-middle incomes, whether through transport, energy use or changes in the labour market. We plan to launch this programme of work in 2024.

Against the background of stagnant living standards and constraints on public spending the Trust has financed work to pull together both shorter-term and longer-term options for a new Government. Alongside that we have financed the IFS to provide detailed reviews of policy proposals from the main parties, as well as independent analysis of key policy issues.

Finally, we also plan in 2024 to finance major work on social tariffs. These are discounted prices that those on lower incomes pay for essential services such as energy, water and broadband. Take-up is low at present and varies widely across the country. Changes here could make a major difference to people in need.

This is my first annual report as trustee and Chair of the Trust. I have been impressed by the scope and quality of the work done by the Trust and commissioned by it. My warm thanks go to all involved in the Trust's activities, particularly my fellow trustees and co-opted committee members, to abrdn plc for its continued support, to the organisations we are funding, and to the Trust's staff for their hard work and enthusiasm.

David Norgrove, Chair
abrdn Financial Fairness Trust

Trustees' report for the year ending 31 December 2023

The Board of Trustees present the audited annual report and accounts of the abrdn Financial Fairness Trust ("the Trust") for the year ended 31 December 2023. Reference and administrative details are provided on pages 3 and 4.

Objectives and activities

Our mission is to contribute towards improving financial well-being in the UK for those living on low-to-middle incomes. We want everyone to have a decent standard of living and feel in control of their finances.

Our key objectives are to:

- fund strategic work, including research, policy work and related campaigning activities, which has the potential to improve financial well-being at a national scale;
- develop partnerships, encouraging collaborative working and a more joined-up approach, convening where we can add value; and
- share learning, knowledge and evidence widely.

More specifically, the work we support examines and promotes measures to:

- increase incomes for those on low-to-middle incomes;
- ensure people have an adequate safety net, building savings and assets;
- reduce the cost of living, making sure those on lower incomes are not paying more;
- address issues related to spending and borrowing, particularly where it becomes problematic; and
- ensure we have fair taxation.

The Trust aims to improve the lives of those living on low-to-middle incomes in the UK, who are struggling to make ends meet, and who are moving in and out of hardship. Whilst it is vital to ensure that those facing financial hardship are supported, we also believe it is important to prevent people falling into financial difficulties. There is strong evidence on how people cycle in and out of poverty, and our work aims to address the dynamics of poverty.

Our work is UK-wide, and whilst the majority of our funding is of benefit to all those living and working in the UK, some of our work has a particular focus on Scotland, including UK-wide work which has a Scottish dimension to it. We are also aware that there are specific issues relating to geography – some areas of the UK faring better than others as highlighted more recently by the government's focus on levelling up – which we aim to address through the work we fund.

Activities

Grant-making is the main means in achieving the Trust's aims and objectives. The grant-making activities carried out in the year are listed on pages 14 and 15.

Our funding activities are primarily delivered through our open grants programme, which covers three inter-related funding programmes that influence financial well-being: income, spending and assets.

Income

We fund work relating to wages, pensions, social security and income taxation.

Spending

We fund work relating to the cost of living, consumer spending, gambling harms, borrowing, payment problems and net zero.

Assets

We fund work relating to taxation, retirement saving, general saving and housing.

In addition to our grant funding, the Trust also commissions specific activities that fit within our funding programmes.

The Trust funds a range of strategic work including research, policy work, campaigning, public attitudinal work, and activities improving practice and design. We are particularly interested in work that has the capacity to create a step change in policy, practice, public attitudes and/or behaviour. Full details of the Trust's funding programmes and priorities are outlined in our funding guidelines, which are available at www.financialfairness.org.uk and regularly updated.

We aim to be an engaged funder. This entails a more strategic approach, with a greater focus on learning and sharing knowledge, and more engagement with the organisations we support, as well as key stakeholders. A number of different approaches and activities are needed to achieve our mission and aims, and often support is needed over the long-term. The people who we are ultimately supporting are central to securing change, and it is vital they are engaged.

Measuring our success can be difficult. This is often the case for funders, who are one step removed from the delivery of the activities, and more so given the long-term strategic aims of the Trust. Many projects funded by the Trust do not come to fruition for some time after the funding is initially awarded. However, all projects report to us on a regular basis on their activities set against the outcomes which are outlined in their funding application. The impact of our funded work, as well as key research findings from the year, are set out below.

Achievements and performance

High inflation continued to have a significant impact during 2023 but public concern reduced as the year progressed and cost-of-living anxieties became less acute for some. This was borne out in our Financial Fairness Tracker which surveyed 6,000 households across the UK and found that government support had prevented further increases in the number facing financial difficulties.

The tracker also found there had been a decrease in the numbers facing serious financial difficulties and some improvements in a range of financial indicators from the peak of the cost-of-living crisis in 2022. However, whilst financial distress had reduced, the numbers facing serious financial difficulties or struggling financially was significantly higher than at the end of the pandemic. By the end of 2023, 41% were in this situation, up from 27% two years previously – an increase of 50%. Our research and analysis highlighted the growing economic insecurity faced by those at the bottom and increasingly those in the middle.

Central to this situation has been the state of the economy which continued to stagnate. The economic outlook is fragile and low levels of growth are a major challenge for whoever is in power after the next general election. The next government will face considerable challenges with some of the most difficult economic and fiscal choices the UK has faced outside of economic crises, wars and pandemics. However, there remain opportunities to influence and the groups we are supporting are working on a number of fronts to improve living standards for those on low-to-middle incomes.

Grant funding and commissioned charitable work

The Trust funded 29 projects in 2023 totalling £1.8m (2022: 21 projects totalling £2.8m). Expenditure was lower in 2023 due to several funding activities taking longer to come to fruition. This included work on social tariffs and the initiative on climate change. These will be progressed in 2024 and this may mean the funding budget will be increased for the upcoming year.

New grants included: analysis of general election policy proposals from the main political parties by the Institute for Fiscal Studies (IFS); the development of a living standards action plan for the next UK government by the Fabian Society; an evaluation of Scotland's new Adult Disability Payment by the University of Strathclyde; policy and advocacy work to reduce the mental health harms caused by aggressive debt collection practices by the Money and Mental Health Policy Institute; and an essay collection by Bright Blue exploring centre-right perspectives towards wealth generation and redistribution.

During the course of the year, we also reviewed the impact of high inflation on organisations we were already funding, and implications it potentially had on delivery and their sustainability. As a result, five organisations were awarded further funding towards their increased costs.

We continue to work closely with organisations that we fund, providing support, insight and connections where possible. A number of the projects are supported by independent advisory groups and we have expert input from a wide range of key stakeholders. For example, the advisory group for the IFS project on pension tax reliefs included a member of the Work and Pensions select committee, the Deputy Director of Pensions and Savings at HM Treasury, the Chief Statistician at HMRC, the Director of Policy and Research at the Pensions and Lifetime Savings Association, the former Head of Pensions Strategy at Standard Life Aberdeen, the Director of Policy at the Association of British Insurers and the CEO of the Pensions Policy Institute. We are grateful for the engagement and expertise provided by a number of individuals and organisations to the research and policy projects we support.

Research

We published a wide range of evidence from the work we funded, with the impact and some key findings highlighted on pages 20 and 21. In total, 42 research reports were produced during 2023, all of which are available on our website. These provide a valuable source of evidence, ideas, solutions and recommendations on a range of financial issues from taxation, pensions, social security, the cost of living, wages and wealth.

Research highlights include:

- Interim report from the Commission on the Future of Employment Support. This found employment growth in the UK was set to halve in the coming years, as a result of the UK's ageing population, lower birth rates and reduced labour market migration since the EU referendum. As a result the UK is expected to have 3.4 million fewer people in work by 2040 than if the trends of the last two decades had continued. The report summarised evidence gathered in the first six months of the Commission, which has been the largest consultation of its kind, hearing from over 200 organisations, individuals and employer bodies. The report called for major reforms to employment services to raise participation in the labour force and boost productivity at work.
- Research by Loughborough University found that existing inflation measures are failing to fully capture the cost-of-living increases faced by those on lower incomes. The Decent Living Index developed by Loughborough tracked what was happening to the cost of items that people need rather than actual expenditure and found CPI and CPIH underestimated costs. Looking at the period from January 2022 to May 2023, it found single working-age adults would need around £2,000 more per year than the CPI measure; and a couple with children would need an additional £1,400. The index is based on Loughborough's work on Minimum Income Standards.
- A comprehensive report by the IFS providing a blueprint to reform the current system of pension tax reliefs. It set out proposals to even out tax support for pension saving – reducing subsidies where they are overly generous and increasing them where saving incentives are weaker. Reforms included changes to the 25% tax free component, employer and employee NICs and annual/ lifetime allowances. The reforms would boost the retirement incomes of the bottom 80% of earners and provide greater incentives for them to save more in a pension, while getting rid of overly generous subsidies that benefit those on high incomes.
- A review of income replacement policies by the Fabian Society. The report highlighted that existing payments provide limited support for people when out of work often pushing them into financial hardship. After years of decline, jobseeker's allowance is worth 12% of average earnings, statutory sick pay 16% and maternity payments 25%. In preference to fragmented reform the Fabians proposed a comprehensive new system of British employment insurance. The proposals for earnings-related payments took inspiration from the Covid-19 furlough scheme and were modelled on Canada's system of employment insurance.
- Policy briefings focussed on improving social security and employment support for parents and carers by the Changing Realities initiative. This is a collaboration between the University of York, Child Poverty Action Group and 120 parents and carers on low incomes to enable these participants to directly engage in the political, policy and public debate about poverty and social security. All of the project's policy and communications activity is developed from the input and priorities of participants, who engage with the project in a variety of ways such as online diaries and virtual discussion groups.
- A series of reports from Demos reviewed public attitudes towards inheritance tax (IHT). It found many are initially against it, but when questioned as to where the tax threshold should be, most accept there should be some IHT (around 8 in 10). Demos segmented the population into different clusters of opinion, ranging from those who were opposed to IHT to those in favour of it. The work highlighted similar demographic characteristics for each cluster and what underpinned their views on inheritance. It found there was some good consensus amongst all groups. For example, the public are concerned that cutting the tax will hurt public services (due to there being less funding available) or will lead to taxes rising elsewhere. Most people think IHT should remain as long as the right threshold is set and loopholes are tackled. The public also believe that there should be loose hypothecation between IHT and popular public services such as health and social care.

- A report with the University of Bristol examining gambling harms reviewed the support available to family members and close friends of those who are problem gamblers. It found 3.6 million people are affected by problem gambling but have limited access to information and support. The report based on qualitative interviews and focus groups highlighted a range of problems created by gambling including family conflict, relationship breakdown, financial losses and debt.
- Our latest wealth audit with the Resolution Foundation highlighted the largest fall in GB household wealth since the Second World War – a £2 trillion drop. This was primarily driven by falls in pension wealth, due to the value of gilts plummeting – but this was mainly a paper fall affecting defined benefit schemes and not impacting living standards. The report modelled two scenarios: interest rates remaining high; or returning to very low rates. The latter would see wealth and wealth inequalities reach new highs; and the former would lead to some pain for those recently acquiring property, including a fall in house prices, but would lead to more affordable housing and less being needed in pensions savings to deliver a decent standard of living. A regional briefing noted that the areas of the country with the lowest levels of wealth were most affected by the fall in assets.

We continued to publish results from our Financial Fairness Tracker, which was created at the start of the Covid-19 pandemic to monitor household finances. The survey of 6,000 households usually runs twice a year and is a partnership with the Personal Finance Research Centre at the University of Bristol. By the end of 2023 we had completed nine waves of the survey, providing a rich source of data on a range of financial well-being indicators such as savings, access to credit, spending, borrowing and debt.

We held a roundtable with key stakeholders (including HM Treasury, Money and Pensions Service, Resolution Foundation and the Health Foundation) earlier in the year to assess the value of the tracker and how it might develop going forwards. There was strong support for the tracker and discussion of areas to extend its scope. We agreed to continue the survey and commissioned a further six rounds, which will either be delivered twice a year or annually (depending on volatility to household finances). The tracker will include an annual Scottish cut of the data, including a larger sample size for Scotland, as well as regular deep dives on specific issues such as housing. The opinion polling contract was re-tendered and this led to a change in supplier from YouGov to Opinium.

Our policy adviser Professor Donald Hirsch worked on several fronts; the most notable project related to looking at the group who are not in poverty but facing some financial difficulties – the financially squeezed (the middle of the income distribution). We published a range of papers on this issue, highlighting the growing financial insecurity many in the middle face in relation to jobs, housing and increased costs such as childcare and student loans. A detailed paper in early 2024 will be produced with Eleni Karagiannaki from the London School of Economics.

Donald's work also focussed on those at the bottom of the income distribution. Briefings we published looked at the inadequacy of the safety net, noting the declining value of social security payments in relation to household costs and earnings. For example, we highlighted that a decade ago a single working-age adult would need to spend 73% of their weekly benefits just on food and energy costs. Now these costs were 22% more than the benefits actually received. We made a submission to the Work and Pensions Select Committee inquiry on benefits adequacy, which included a new short paper on whether we could reach consensus on a benefits floor and how that might be measured.

Pensions Review

The Pensions Review is a partnership with the IFS and is our most significant investment to date. The Review's focus is on the challenges ahead for future generations of pensioners and aims to propose concrete policy recommendations to improve living standards and financial security in retirement. The initiative is led by a steering group. This was chaired by Alistair Darling until his death in November 2023. The sad loss of Alistair was a significant blow to the Review. Two further members were added to the steering group later in 2024, and the group now comprises the former Secretary of State for Work and Pensions David Gauke; former Chief Executive of the Pensions and Lifetime Savings Association, Joanne Segars; Jeannie Drake, former President of the TUC and one of the three members of the Pensions Commission; and David Norgrove, Chair of the Financial Fairness Trust and former Chair of the Pensions Regulator.

We established the Review as it is 20 years since the last comprehensive analysis of pensions – the Pensions Commission. The latter's key recommendations were implemented: a more generous state pension; a higher state pension age; and automatic enrolment of most employees into workplace pensions. But the Pensions Commission did not foresee the triple lock, the new state pension, pension freedoms, and reductions to the generosity of the working-age benefit system, amongst other reforms.

Given the scale of these changes, there has been a dangerous lack of strategic oversight of the retirement saving system since the Pensions Commission disbanded. There is a clear risk that much better outcomes for pensioner incomes in recent years compared with earlier decades could be fuelling complacency that future generations of pensioners will achieve similarly good – or even better – outcomes. It is in this context that we launched the Review in partnership with the IFS.

The Review will centre on three key questions which we will explore in depth:

- Are people saving appropriately for retirement, in terms of both the amount and the form of saving, and if not, how can government policies help?
- How should the state support people from late working life into and through retirement?
- Do people require more assistance to use their wealth appropriately through retirement?

Throughout the project, a key cross-cutting theme will be the risks facing savers and pensioners regarding their standard of living in retirement. With the demise of private sector defined benefit arrangements, of state earnings-related pensions and of annuities, individuals are increasingly bearing many of the risks associated with accumulating saving for retirement, and with decumulating their pension pots through retirement, in a way which was not true in the past.

The Pensions Review was successfully launched in April 2023 at an event in Westminster, with Adair Turner, who led the original Pensions Commission, outlining the need for a new review and Alistair Darling setting out the key issues to be addressed. The Review is engaging a wide range of policymakers and stakeholders to better understand the key challenges and trade-offs. In addition to the steering group, the Review has established three advisory groups with senior representation from government, think tanks, civil society, the pensions industry and employers. The response to the initiative has been positive and encouraging.

The Review has started detailed empirical analysis to understand recent economic trends and how people have responded to previous pension reforms. Alongside this the Trust commissioned Ignition House to undertake qualitative research into the public's perceptions relating to retirement and pensions. This is complemented by opinion polling that the Trust is leading on.

In addition to the launch report, the initiative published a briefing on the government's review of the state pension age, a short report on the impact of the triple lock on public finances (highlighting the benefits this policy has delivered but also the uncertainty it has created in relation to public finances), and a report on retirement trends.

The main research output for 2023 focussed on the future of the state pension. This highlighted that the state pension currently stands at 30% of median full-time earnings, which is its highest share since at least 1968, though it remains less generous than state pensions provided in many other advanced economies that have more limited provision of private pensions. With the IFS we called for a new pension guarantee. The main plank of this guarantee was to set a state pension target linked to a proportion of median full-time earnings which it should keep pace with. At this stage the Review did not set what the target should be but raising the state pension to a third of the median would raise it by 12% in value and cost the state an additional £18 billion by 2050 in today's terms. Other elements of the guarantee included continuing to raise the state pension by inflation, no means-testing, only raising the state pension age (SPA) if longevity increased and providing at least 10 years notice of any increases to the SPA. The report was broadly welcomed by stakeholders, with an acceptance that the triple-lock would need to remain for a number of years.

The next major report from the Review will look at accumulation of private wealth for retirement. This will address how much different groups are saving (including the self-employed); how much they should be saving (especially given changes to home ownership); and what policies would bridge the savings gap (including saving in assets other than pensions). On the question of how much should people be saving, a key issue is whether this should be based on income replacement rates or the expenditure people will need in retirement. The Review will publish its key findings and recommendations for reform in early summer 2025, with follow-up reports charting progress in 2026 and 2027.

Funding awarded in 2023

Organisation	Award	Duration	Project overview
Bright Blue	£30,000	6 months	To create an essay collection that sets out a centre-right vision for spreading wealth in Britain more fairly
Carers UK	£129,790	18 months	Towards research and policy work to improve the living standards of carers
Centre for Progressive Change	£82,820	1 year	Towards a national campaign to improve Statutory Sick Pay
Centre for Responsible Credit	£48,540	1 year	To research the impact of credit reference agency messaging on financial behaviours during the cost-of-living crisis
Demos	£136,500	18 months	Towards research and policy work to shape the debate on and develop options for taxing inherited wealth
Fabian Society	£90,780	18 months	Towards research to develop a living standards action plan for implementation by government after the next General Election
High Pay Centre	£16,300	3 months	To undertake an analysis of the pay ratios published by UK listed companies
High Pay Centre	£63,270	1 year	To develop a 'manifesto for fair pay' policies and engagement activities pre- and post- the next General Election
Institute for Fiscal Studies	£113,000	1 year	To undertake analysis, policy work and engagement with political parties on living standards, taxes, benefits and public services proposals
London School of Economics	£13,310	3 months	To provide analysis to support research on 'financially squeezed' middle income households
Migration Policy Scotland	£99,480	2 years	To enhance strategic policy thinking in Scotland on effective interventions to reduce financial disadvantage for low-to-middle income migrant households
Money and Mental Health Policy Institute	£169,060	18 months	Towards campaigning and policy work to reduce the psychological harm of aggressive debt collection practices
Poverty Alliance	£47,550	2 years	To build awareness and support for the implementation of a Minimum Income Guarantee in Scotland
Sustrans	£99,804	1 year	To understand cycling uptake and the associated benefits of offering financial support to people on a low income to access a cycle

Funding awarded in 2023

Organisation	Award	Duration	Project overview
Timewise Foundation	£122,090	18 months	Towards research and policy work to help increase the supply of good flexible jobs for low-to-middle income workers
Trades Union Congress	£21,800	5 months	Towards a conference and research on improving job quality and security, ensuring it is central to the manifestos of the main political parties
University of Bath	£48,660	8 months	To enable additional analysis to create three further Universal Credit reform policy briefings
University of Bristol	£79,744	2.5 years	To provide analysis of data for six waves of the Trust's Financial Fairness Tracker
University of Strathclyde	£166,150	18 months	To research what adults with disabilities consider to be a fair application process for social security benefits to help improve its effectiveness and fairness
University of York	£29,400	3 months	To enable additional reactive work supporting people with direct experience of hardship and social security to engage in policy and media work
Institute for Fiscal Studies	£9,570	5 years	Inflationary increases for previously awarded grants still running
Maternity Action	£3,520	18 months	
Parenting NI	£1,480	18 months	
Transport for All	£3,550	2 years	
University of York	£2,058	1 year	
Total grants	**£1,628,226**		
Directly commissioned by the Trust	£190,001	3 years	To undertake survey work for six waves of the Trust's Financial Fairness Tracker
Total funding	**£1,818,227**		

Charitable activities in 2023

29
projects funded

17
new projects funded

12
projects awarded additional funding

£1.8m
in funding

Smallest grant – £13k

Average grant – £85k

Largest grant – £169k

New grants only

Funding programmes

Income – 16 projects

Spending – 4 projects

Assets – 3 projects

Cross-cutting – 6 projects

The grants have been allocated to the main funding programme they are addressing, or the main activity. However a number of projects cross-cut funding programmes, or utilise a range of methods, often combining research as well as policy work.

Activity

Research – 14 projects

Policy – 10 projects

Campaigning – 5 projects

Grant length

Up to 1 year – 9 projects

Between 1 and 2 years – 14 grants

2 years and over – 6 projects

Organisation type

Voluntary group – 7 projects

University – 7 projects

Think tank – 12 projects

Other – 3 grants

Reports published:
42

Press articles on Trust work:
2,169

Impact

Work we funded contributed to a number of changes during the year. In March 2023 we announced the first Living Pensions employer accreditations. This is a new scheme which the Trust has been developing with the Living Wage Foundation. A Living Pension is a voluntary savings target for employers who want to help their workforce build up a pension pot that will provide enough income to meet basic everyday needs in retirement. A Living Pension standard builds on the work of the real Living Wage by providing stability and security for workers in the future. The standard sets out the minimum annual contribution required through an average working life to reach this savings level and employers commit to making sure all workers can access this. Living Pension employers commit to contributing a minimum of 7% of a worker's salary, or a cash amount of around £1,600 to workers' pension pots annually, whilst workers contribute 5% of their salary, or a cash amount of around £1,200 annually.

Whilst there has been some good progress on pensions in recent years, especially the introduction of auto-enrolment which has led to millions more saving towards their retirement, the amounts saved in defined contribution schemes fall far short of what is needed. This affects all workers, but those in low pay even more acutely. Research funded by the Trust and undertaken by the Resolution Foundation found that four in five workers (16 million people) are not saving enough to meet their needs in retirement. Low-paid workers are the least likely to be saving enough, with fewer than 5% saving at a rate which would provide an adequate standard of living in retirement.

Ten employers initially signed up to pay a Living Pension including Aviva, Phoenix and Coastline Housing. There were a number of launch events in Edinburgh, London and Liverpool, with good engagement with a wide range of employers, policy makers and the pensions industry. By the end of the year, over 30 employers were accredited including energy provider SSE and pension adviser ISIO. We expect the number of employers signing-up to grow in 2024, which we hope will add momentum to further changes to auto-enrolment by demonstrating that employers are willing to pay more towards pensions.

Earlier in the year we launched a detailed report on savings with the Resolution Foundation as part of our programme of work on increasing assets for those on low-to-middle incomes. The report noted that since 1980, Britain had the lowest saving rate of any G7 country in four of every five years. This struggle to save is a particular problem for those on lower incomes and is a huge drag on living standards – families with no savings are 18 times as likely to report being unable to cover an unexpected expense, and three times as likely to report low levels of happiness, as those with savings.

Successive governments have recognised the problem of struggling to save and have attempted to address it through a mix of tax reliefs – such as savings allowances and ISAs – and direct support – such as Lifetime ISAs (LISAs) and Help to Save. These policies, together with the Enterprise Investment Scheme, were on track to cost the Exchequer around £7.3 billion per year by the end of 2023-24 in terms of foregone tax revenue and direct payments to households.

However, the report warned that these policies failed to encourage more people to save, and that instead wealthier individuals had gained the lion's share of support. For example, ISAs, which were set to cost £4.3 billion per year in foregone tax revenue by the end of 2023-24, are heavily skewed towards richer households. For working-age adults, close to a third of total ISA savings are owned by those in the richest tenth of families.

Help to Save, where people on Universal Credit or Working-Tax Credits are able to save up to £50 a month and receive a 50 per cent top-up from government, is the only savings policy targeted at low-income families. But while satisfaction with the scheme is high, take-up is low, with less than one-in-ten eligible participants using it. Latest data highlighted that it had cost £43 million, a small sum compared to the £4.3 billion per year cost of ISAs. We recommended Help To Save continued (it was due to end in September 2023) but that it should be expanded by auto enrolling benefit claimants into the scheme, doubling the monthly savings cap to £100, and excluding the scheme from the savings rules in Universal

Credit that reduce people's benefit entitlement if they have more than £6,000 in savings. We were pleased to hear the scheme was extended to April 2025 but believe more could be done to promote and extend its reach.

Our work with E3G to increase investment in making homes more energy efficient yielded some good results. E3G's research and advocacy work calling on the government to top up energy efficiency investment contributed to an extension to fuel poverty alleviation schemes by £1 billion including the Great British Insulation Scheme. As well as supporting low-income and vulnerable households, it is also available to those living in homes with an Energy Performance Certificate rating of D-G, and within lower Council Tax bands. However, the amount of money actually spent on warm home schemes has not increased due to the under-delivery of schemes across almost all the UK. E3G's research and engagements have therefore also focused on boosting delivery of key schemes including the Energy Company Obligation, the Home Upgrade Scheme and the Social Housing Decarbonisation Fund. Such work will be pivotal in getting money out of the door, reducing carbon emissions and reducing the energy costs of those on lower incomes.

E3G also provided an evidence base to push-back successfully against the planned hydrogen levy proposed in the Energy Bill. Its analysis that this could increase consumer energy bills by £200 was widely shared. Working with cross-party MPs and think tanks, as well as journalists, E3G helped secure an amendment to the proposed introduction of a new hydrogen levy to be added to energy bills. This prevented energy bill rises of up to £200 per year.

However, these wins were set against some setbacks. This included the government indicating that it wanted a slower approach towards net zero. Policies such as the phasing out of petrol and diesel cars have been delayed by five years to 2035 as have measures to ensure landlords brought in energy efficiencies. Labour has also reduced its spending commitments in this area, with a big reduction in its Green Prosperity Plan, which was earmarked to spend £28 billion a year and will now amount to £4.7 billion per annum. More work in this field is needed, especially understanding the impact on those living on low-to-middle incomes. Hence the launch of a new initiative on this issue by the Trust, which is outlined in more detail on page 30.

Another area our work is likely to have contributed to was significant government investment into childcare. Our report with the centre-right think tank Onward highlighted that expensive childcare was hampering the economy, with more than six in ten working parents citing it as the reason they were not working. The research also noted that parents in the UK spent three times more of their income on childcare than the OECD average; that a quarter of childcare providers had closed since 2015; and the number of childminders had halved over the last decade. The report called for a simplification of provision, for government support to be extended to one-year olds and greater support for families on lower incomes.

In the 2023 March budget, the Chancellor announced that children in England, aged nine months to three years, would be offered 30 hours a week of free childcare in term time, as long as parents were earning the equivalent of 16 hours at the national minimum wage or national living wage. The change will be phased in gradually, by September 2025, with 15 hours free childcare a week for two-year olds from April 2024 and nine-month-olds from September 2024. Universal Credit claimants will be able to receive childcare funding upfront, instead of in arrears, and the amount available will increase. Whilst a number of significant issues have been raised in relation to the new provision including in relation to quality, access and delivery, it is a positive step there is greater investment in childcare.

We funded some work with the Bevan Foundation which contributed to changes to support for the self-employed. It found self-employment had increased over the last decade and now accounts for nearly one in seven workers across Wales. However, the average income of a self-employed person is less than two-thirds the income of an employee. This work led to greater social protection for low-income self-employed people in Wales through a widening of eligibility criteria for emergency help for people in financial crisis (the Discretionary Assistance Fund) to include self-employed people.

The Welsh government also agreed to a review of the Education Maintenance Allowance for learners from low-income self-employed families. Bevan achieved a commitment to changes that when implemented will improve access to business advice by low-income self-employed people, which in turn will help to improve their income from their business.

Our work with IPPR Scotland on the development of a Minimum Income Guarantee (MIG) continued to move forwards. The MIG concept is that there should be a set income below which people should not fall. This would be guaranteed through either wages, tax allowances, social security and the provision of universal basic services to help reduce costs. In most cases people would need a combination of these to reach a living income. IPPR Scotland advocated the idea and this gained traction across the political spectrum. The Scottish government established a cross-party steering group to take the MIG forward. The Trust joined the expert group which started to meet in autumn 2021 and has met a number of times. The group produced an interim report in March 2023 outlining the broad framework for a MIG and early steps to implement delivery, which we hope will be taken up in the near future.

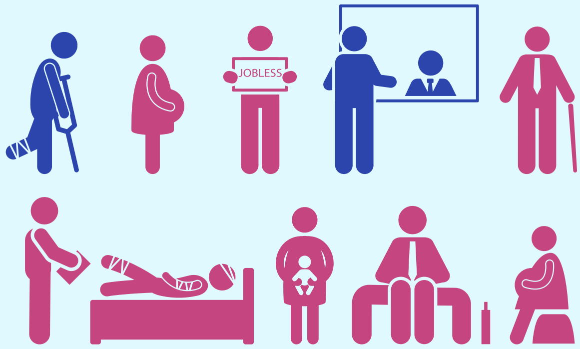
During the year work by IPPR Scotland identified a number of tax changes through which the Scottish government could raise additional revenue to deliver a MIG. The report was endorsed by over 50 civil society organisations including Oxfam, the Scottish TUC and Poverty Alliance, and was launched ahead of the Scottish budget in 2023. It set out a broad range of options for income tax, council tax and broader wealth taxes. The work received significant media coverage and policy success, with the Scottish Government following through on IPPR's recommendations to reform income tax. A new advanced band, with a tax rate of 45%, will apply to those earning between £75,000 and £125,140, and the top rate of tax was increased by one percentage point to 48%. In addition, the starter, basic and intermediate threshold will rise with inflation but the higher rate (42%) will still remain at the same rate. The Scottish Fiscal Commission estimated that the announcements would raise nearly £400 million.

Key findings from research funded

The richest 10%

of households receive 20 times more in tax breaks on savings than those who are in the poorest 10% of families.

ISA ISA baby, Resolution Foundation



8 in 10

people support improved benefits for when incomes fall during sickness, maternity, redundancy and unemployment.

In time of need – building employment insurance for all, Fabian Society

3.6 million

people who live with a problem gambler have limited access to support.

The family dynamics of gambling harms, University of Bristol

1 in 5 families

are putting off dental treatments due to worries about costs.

Financial Fairness Tracker

By 2040 there will be

3.4 million fewer people in work

than if trends of the last two decades had continued.

Work in progress – interim report of the Commission on the Future of Employment Support, Institute for Employment Studies

Key findings from research funded

Rising interest rates delivered the **biggest fall in British household wealth since World War II,** falling by £2.1 trillion.

Peaked interest?, Resolution Foundation

3 in 10

working-age disabled people feel they have been discriminated against in the workplace.

The financial wellbeing of disabled people in the UK, University of Bristol and Research Institute for Disabled Consumers

The number of UK residents without any access to social security has risen by more than one million people over the past two years to

2.6 million

Deprivation and the no recourse to public funds condition, The Migration Observatory at the University of Oxford

Raising the state pension from 30% of average earnings to 33% would increase the pension by £26 a week and cost £18 billion each year.

The Pensions Review, The Institute for Fiscal Studies and abrdn Financial Fairness Trust

Half of those behind on consumer credit bills say they've had suicidal thoughts during the past 20 months.

Debts and despair, Money and Mental Health Policy Institute

Communications and events

Communications remains a key area of work for the Trust to disseminate key findings from the research and policy work we fund.

Work has continued with partners on a number of projects. Significant media coverage was gained for reports including: the launch of the Pensions Review in partnership with the IFS; the annual wealth inequality report with the Resolution Foundation; and a number of reports by Demos on inheritance tax. There were over 2,000 mentions of the Trust's work including in national press such as the Financial Times, Guardian, Times, Telegraph, Daily Mail and the BBC.

Two editions of the Financial Fairness Tracker were published in 2023 with additional specialist reports focussing on how the cost-of-living crisis affected people in Scotland, and an edition which focused on housing. Media coverage of the reports has been positive, each of the main reports received over 220 mentions in the media. The reports are amongst the most-downloaded publications on our website.

Events were held by a number of partners including: the launch of the Pensions Review by the Institute for Fiscal Studies, with Adair Turner and Alistair Darling as key speakers; the Fabian Society's report on the creation of a British employment insurance scheme was launched at the House of Commons with Shadow Minister for Employment, Alison McGovern MP; the launch of Living Pensions by the Living Wage Foundation with the Chair of the Work and Pensions select committee Stephen Timms MP speaking; a conference on debt by Debt Justice; an event with the Resolution Foundation on national and regional wealth changes with the psephologist John Curtice, Kezia Dugdale (former leader of the Scottish Labour Party) and Liz Lloyd (Nicola Sturgeon's former chief of staff) presenting; and a parliamentary event in Scotland by Families Outside on the financial wellbeing of those with family members in prison.

We produced seven podcast episodes including on levelling up with Danny Dorling; on managing personal finances with Radio 4's MoneyBox presenter, Paul Lewis; on wealth taxation with Arun Advani at the University of Warwick and Ian Mulheirn from the Resolution Foundation; and on low pay with Kate Bell, Assistant General Secretary of the TUC.

The addition of a new Communications and Public Affairs Officer in June has allowed us to grow our mailing lists and increase our presence on social media. In 2023, the number of people who joined the Trust's mailing lists increased by 19% and followers on X grew by 11%. We also achieved 115% increase in the amount of Google Ads compared to 2022. Efforts to increase traffic to the website have been successful; overall traffic to the website has increased by over 50%.

Financial review

Overview

The Trust's investment managers, abrdn Capital, were sold to LGT UK in 2023. This required significant work in the Trust during the first half of the year and, as a result, we also took the decision to delay the review of the investment manager to ensure as far as possible stability for the Trust and its portfolio.

In terms of valuation, it was another challenging year for the portfolio, largely stagnant for the first nine months of the year, albeit with a small recovery in quarter four which led to a net surplus for the year overall. Although we remain under expected targets at year end, the outlook for 2024 is positive as markets begin to recover from the sustained period of high inflation and interest rates. Trustees continue to maintain a long-term view, and grant funding and commissioned work is expected to remain at £3m for the upcoming year.

The Trust generated a net surplus and increase in funds during the period of £3.9m (2022: deficit of £13.6m). Investment income and donations in-kind of £2.8m (2022: £2.6m) was offset by expenditure on raising funds of £258k (2022: £303k) and expenditure on charitable activities of £3.4m (2022: £2.1m). The Trust recognised net gains on invested assets of £4.7m (2022: net losses of £13.9m) during the year.

During the year the Trust awarded £1.6m (2022: £2.7m) in grants over two funding rounds in the year. A further £190k was pledged during the year towards work directly commissioned by the Trust (2022: £166k). Expenditure was lower in 2023 due to several funding activities taking longer to come to fruition. This included work on social tariffs and the initiative on climate change. These will be progressed in 2024 and this may mean the funding budget will be increased for the upcoming year. Due to performance related or other obligations placed on various grant recipients who were awarded grant funding in previous years, £2.7m (2022: £3.3m) of pledged grants are retained off balance sheet.

Investment policy

The main purpose of the investments is to provide a financial return to fund the charitable activities of the Trust, including its funding programmes. The Trust's investment objectives are to:

- grow the capital value of the investment portfolio in real terms (inflation +4% after investment management expenses);
- maximise the amount available for the Trust's charitable activities, taking a total return approach;
- balance investment risks, taking a long-term investment approach (5-10 years);
- maintain adequate diversification within the investment portfolio; and
- ensure investment decisions pay due regard to ethical and responsible considerations and do not damage the Trust's reputation.

It is the intention of the trustees to preserve the value of the initial donation in real terms, in order to have an enduring impact on the Trust's charitable activity. However, this approach does not preclude the Trust from deciding to spend more on its charitable activities, if significant opportunities for social change arise.

The Trust takes a total return approach to investment and is therefore indifferent as to whether the investment returns are through income or capital. The portfolio is diversified which should, over time, produce a positive total return performance. The Trust has a balanced approach to risk management, taking a long-term view and recognising that there may be high levels of volatility over the short-term. The long-term target return for the overall portfolio is inflation +4%, net of investment management fees.

The Trust's investment managers for the first eight months of the year were abrdn Capital, who were selected due to expertise in the charity sector. The entirety of that team moved to LGT UK from 1 September 2023, thereby retaining the charity specific expertise. The mandate is actively managed in order to maximise total investment return, and the team are therefore responsible for the overall portfolio asset management, tactical asset allocation, individual stock selection, ethical screening and reporting and administration.

As part of the sale agreement, the abrdn global asset allocation team continues to assist LGT in some aspects of the Trust's portfolio management, including strategic allocation and the management of certain specialist asset pools. The Finance, Investment and Risk Committee reviews investments regularly and reports to the Board on performance.

The investment policy sets out an agreed asset allocation across various asset classes. Key asset classes are global, UK and emerging markets equities; property and infrastructure; higher yielding and government fixed income bonds, loans, emerging market debt and private debt; cash and other. There are percentage limitations placed on both individual investments and pooled funds, as well as some particular markets.

Investment performance and outlook

2023 was a relatively stagnant year for the Trust's portfolio – market conditions stayed largely flat over much of the year, albeit with a welcome boost at the end of the year. The investment gain of £4.7m for the year ended 31 December 2023 (2022: loss of £13.9m) was mostly driven by the final quarter of the year. This gain is gross of investment management fees of £258k (2022: £303k). The portfolio achieved 8.0% returns against target of 9.4% over the year. As we enter 2024, the outlook is positive. The value of the Trust's portfolio rose to £98.2m by 31 March 2024.

Investing ethically

As a charitable organisation with a mission focussed on financial well-being, a key objective is ensuring that investment decisions pay due regard to ethical and responsible considerations. The Trust's investment strategy aims to strike the right balance between:

- funding the Trust's charitable work over the long term;
- avoiding investing in corporations whose activities conflict with the work it funds or have the potential to generate reputational damage;
- encouraging business to be mindful of environmental, social and governance (ESG) considerations, taking a responsible approach to their impact on the environment, their employment practices and how their board operates; and
- investing in assets which seek to realise its aims.

Our current investment managers are signatories of the UN Principles of Responsible Investment, and the Trust would also expect this of any future investment manager (or if not, to have reasons provided why this would not be feasible).

We have considered sectors and organisations whose interests conflict with the mission and operations of the Trust, and as a result we have excluded investments in the following areas:

- predatory lending (including high cost, short-term credit such as pay day lenders, rent-to-own schemes);
- gambling;
- armaments;
- tobacco;
- alcohol; and
- adult entertainment.

The Trust is aware that some companies have limited involvement in these sectors. For example, in the retail sector a supermarket may derive a small amount of its profits from the sale of alcohol, tobacco or lottery tickets. It has agreed that negative screening applies to companies which derive more than 10% of their profits or turnover from the six areas listed above.

The Trust also funds work in relation to income and wealth inequalities and has therefore asked its investment managers to take account of this issue, such as excessive executive pay and tax evasion.

Investment managers must pay regard to ethical and responsible considerations in their investment decisions and how this relates to the Trust's charitable activities.

Where the Trust invests in pooled funds (funds from many individual investors that are aggregated for the purposes of investment), the Trust's investment managers must highlight any risks to the Trust, along with any mitigation taken.

The Trust's investment managers ensure there is a process of active research and engagement with those companies in which they invest concerning the ethical and responsible policies pursued by those companies. The Trust, through its investment managers, seeks to influence those companies whose policies do not meet best ethical and responsible practice to change and improve. This active stewardship will normally take place through discussion with the senior management of the companies concerned, by exercising voting rights and, if necessary, through the sale of the investment concerned. The Trust engages in discussion with its investment managers on particular ESG issues and discusses relevant action to be taken (whilst recognising that this approach is not always feasible for pooled funds and instead whatever possible action is taken to mitigate any ethical and responsible concerns).

Reserves policy

The Trust's charitable activities are funded exclusively from the income and gains generated from the investment of the substantial donation received in 2017, from unclaimed assets arising as a result of the demutualisation of Standard Life in 2006. With adequate returns from the portfolio of investments, the Trust does not intend to raise income through any other form, such as fundraising.

At 31 December 2023 the Trust had total unrestricted funds of £93.7m (2022: £89.9m). £83.3m (2022: £84.7m) was held within the general unrestricted fund and £10.4m (2022: £5.0m) was held in the revaluation reserve, with nil in designated funds (2022: £150k). There are undrawn commitments of £5.2m at 31 December 2023 (2022: £5.3m). The Trust has no restricted funds.

As unrestricted funds are fully expendable, the risk associated with not having adequate reserve balances is deemed to be low.

The Trust does however hold grant commitments off balance-sheet, which are unrecognised due to performance related or other obligations placed on the grant recipient at the time of award. If these are met, then there is full expectation to pay out future grant instalments as set out in the grant conditions. The Trust therefore holds reserves of £3.4m, being the remaining grant commitments, along with running costs to monitor those grants over the remaining term of those grants awarded. The Trust holds readily accessible cash as well as an investment portfolio of largely liquid assets in order to meet both recognised and unrecognised liabilities falling due.

Trustees recognise that investment values and associated returns can both rise and fall. However, as a long-term investor and with a detailed investment policy in place with tolerance levels which would trigger spending reviews, the trustees do not consider a separate reserve necessary for investment returns. Whilst the Trust's funds are fully expendable, it is the intention of the trustees to preserve the value of the initial donation in real terms in order to have an enduring impact on the Trust's charitable activity. The value of investments and spending levels are reviewed three times per year to ensure the furtherance of the charity's objects.

Managing risk

Risk is an everyday part of charitable activity and managing it effectively is essential to achieving the Trust's objectives and safeguarding its assets.

The Trust holds a detailed risk management policy and framework which is reviewed annually. Individual risks are assessed against a heat map with a "traffic light system" of red, amber and green, based on a weighting of both impact and likelihood. The three key risks to the Trust, and associated mitigations for each of these, are as follows on page 26.

The Trust is exposed to a number of other operational risks, encompassing risk of loss or adverse consequences for the organisation as a result of inadequate or failed internal processes, people or systems, or from external events. All identified risks are managed through mitigating actions with an owner attached to each.

The exercise in revising the risk management policy and framework reflected the strength of the underlying controls and mitigating measures in the Trust. Risks, and systems for managing those risks, will continue to be reviewed on an annual basis.

Risk to the Trust	Mitigations in place
Significant investment losses, impacting on ability to fund charitable activities and possible reputational damage	• a detailed investment policy being in place with asset allocations and limitations agreed; • appointed investment managers having appropriate expertise for the sector; • sufficient range being built into the asset allocation to allow the investment managers scope to increase or decrease asset holdings to take account of market conditions; • regular reviews being scheduled with the investment managers, including attendance at the Finance, Investment and Risk Committee and at the Board meetings annually; • the investment managers reporting regularly on investment performance, with on-going market updates; • sufficient and appropriate levels of skill and expertise amongst committee members in the Finance, Investment and Risk Committee; • upcoming review of investment manager.
Negative media coverage of Trust – including groups funded or other bodies/individuals closely connected to the Trust, leading to reputational damage	• detailed funding assessment process in place, identifying key risks and mitigations, which is regularly reviewed by the Board; • grant conditions in place, which are regularly reviewed, oblige grantees to inform us of potential negative media coverage and communication expectations around this; • regular contact with funded groups, enabling early identification of potential issues which might lead to reputational damage; • funding updates including RAG rating provided to trustees regularly, highlighting any concerns; • agreement by the Trust and funded body on media releases relating to the work. Both abrdn plc and trustees would be engaged where key risks were identified; • crisis communications plan in place, outlining mechanisms and processes for dealing with negative media situations.
Highly difficult external (economic/political/social/health) environment, making it difficult to progress charitable objectives	• the Trust's funding programme includes a wide range of issues, which have the potential for progress - despite significant changes to the external environment; • regular reviews to take account of external changes and how to respond to these, including a review and refresh of the Trust's funding strategy in November 2022; • decision making and operations can be online where required, supported by the necessary IT infrastructure to do so; • flexibility provided to organisations funded to enable them to deliver their work; • development of new funding streams to respond to changing environment such as the pandemic and capacity to adapt decision-making processes, allowing for swifter decisions; • increase to staffing capacity to provide additional resource to deal with changing environment; • external specialist policy adviser contracted to gain specialist knowledge and to assist in progressing objectives.

Structure, governance and management

Governing document

abrdn Financial Fairness Trust is a Scottish charity, registered on 29 September 2009 with the Office of the Scottish Charity Regulator (OSCR), under registration number SC040877. The Trust is also a private company, limited by guarantee with no share capital, governed by its Articles of Association. The Trust was incorporated on 15 May 2009 (under the previous name of Standard Life Charitable Trust and subsequently Standard Life Foundation).

Organisational structure

The Board of Trustees meets three times every year to discuss progress, strategy and future plans, and all key decisions affecting the Trust are agreed at these meetings. The Board has also delegated a number of duties to its committees.

- The Finance, Investment and Risk Committee meets three times throughout the year and is responsible for:
  - Finance – planning and monitoring the Trust's income and outgoings so that it can meet its short, medium and long term aims in line with the Trust's strategic plan, and reviewing its annual financial statements prior to submission to the Board;
  - Investment – providing oversight and advice to the Board on all investment matters;
  - Risk – providing oversight and advice to the Board on the Trust's current and future risk strategy and any material risk exposures.
- The Nomination, Governance and Remuneration Committee meets at least twice a year and advises the Board on the corporate governance of the Trust and its governance as a charity registered in Scotland, the appointment of trustees and the appointment and remuneration of the Chief Executive Officer and other senior employees (if applicable) of the Trust.
- The Research and Grants Committee meets four times throughout the year and recommends to the Board funding to organisations undertaking charitable activity which meet the programmes and priorities as set out in the Trust's strategic plan and funding guidelines; and reviews learning and evaluation arising from the funded work.

We are grateful to our co-opted members, Jeffrey Hayes and Sharon Collard, for bringing their valuable skills and experience to our committees, respectively the Finance, Risk and Investment Committee and the Research and Grants Committee.

The key management of the Trust are those persons having authority and responsibilities for planning, directing and controlling the activities of the Trust, directly or indirectly. For the Trust, this comprises the trustees, who set the policy and strategic direction of the charity, and senior staff, who are tasked with the day-to-day operations and management. Senior staff are the Chief Executive Officer, Head of Policy and Research, Head of Finance and Operations, and Head of Communications.

Approach to governance

Trust staff have reviewed the Scottish Good Governance Code in 2023 and were satisfied that the five core principles (organisational purpose, leadership, board behaviour, control and effectiveness) were demonstrated through the governance procedures the Trust has in place. The Code will be regularly reviewed going forward by the Nominations, Governance and Remuneration Committee to allow for improvement and to strengthen the effectiveness of the Trust's governance where needed.

The Trust maintains directors' and officers' liability insurance on behalf of the Board.

Trustees who stood down during the year

Alistair Darling, who governed between 2016 and 2023, stood down from his role as Chair and independent trustee in November 2023, and sadly died shortly after. He is sorely missed, as a colleague and friend, by us all.

Keith Skeoch, former Chief Executive of Standard Life plc, and then Standard Life Aberdeen plc, also stood down from his role as trustee in June 2023. Keith notably spent much time involved in the initial set-up of the charity, alongside Alistair, for which we are hugely grateful. Keith remains involved in the work of the Trust, chairing the Living Pensions advisory group.

Ella Hugh stood down in May 2023. As an abrdn nominated trustee, her directorship with the Trust ended when she left employment with abrdn plc.

Recruitment and appointment of new trustees

New independent trustee roles are recruited by advertising to the open market, with a transparent process set out prior to appointment. New trustee appointments are first considered by the Nomination, Governance and Remuneration Committee before being recommended to the Board for approval. All trustee appointments are also approved by abrdn plc. Independent trustees are appointed for a three-year term, and are eligible for a further three-year reappointment at the end of each term, to a maximum of ten years. There is no requirement for the trustees who are employees or directors of abrdn plc to retire by rotation and there is no limit to their term in office. Newly appointed trustees are given an in-depth introduction to the Trust by means of an induction pack, as well as meetings with the Chair of the Board of Trustees and with Trust staff.

We worked with executive search agency Green Park to recruit our new Chair and were delighted to welcome David Norgrove to the Board in November 2023. David brings a wealth of experience and specialist knowledge to the Board, and as Chair he has ex-officio right to join all three Committees.

We also warmly welcomed Sarah Moody, Chief Corporate Affairs and Investor Relations Officer at abrdn plc to the Board as a non-independent trustee, having been nominated by abrdn.

Related parties

Trustees disclose all relevant interests and outside appointments and must excuse themselves from voting on any matter where a conflict of interest arises. All trustees give their time freely and receive no remuneration for their time other than the reimbursement of expenses (see note six to the financial statements). All trustees who acted during the year are listed on page 3.

The Trust's ultimate controlling party is abrdn plc. abrdn plc is registered under company number SC286832 at 1 George Street, Edinburgh, EH2 2LL. Membership of the Trust is only open to abrdn plc and only it can appoint or remove the trustees who may exercise all the powers of the Trust. Copies of the annual report and accounts of the ultimate controlling party can be obtained at www.abrdn.com. abrdn plc agrees to contribute £1 in the event of the Trust winding up. The company respects the Trust's right to create its own strategy and to speak out about the socio-economic issues the Trust is seeking to address.

The support that abrdn plc provides the Trust includes the provision of office space and IT, access to information systems, communications support, and other services and facilities as required by the Trust. All staff working for the Trust are employees of Aberdeen Corporate Services Limited, a wholly owned subsidiary of abrdn plc, and whose costs are recharged to the Trust.

The Trust's investment managers to 31st August 2023 were abrdn Capital, a subsidiary of abrdn plc. On 1st September 2023 abrdn Capital was sold to LGT, and our investment manager became LGT, therefore no longer a related party of the Trust. The abrdn global asset allocation team continues to assist LGT in some aspects of the Trust's portfolio management as part of the sale agreement, including strategic allocation and the management of certain specialist asset pools, for which they receive remuneration from LGT. The Trust invests in certain abrdn products including pooled funds. Related party transactions are disclosed in notes six and fourteen of the financial statements.

There is currently one trustee who is also an employee of abrdn plc. The Trust's Articles permit abrdn plc trustees to vote in relation to matters that concern abrdn plc or any of its subsidiary companies, so long as the trustees act in a way that would promote the success of the Trust and in the Trust's interests.

Conflicts of interest

It is possible that trustees may be asked to consider contracts or applications for grant funding from an organisation in which one or more trustees are involved – either in a professional or personal capacity. In such circumstances, any interest in the relevant organisation is declared at the outset of the discussion and the conflicted trustee will be excused from any further discussion and decision-making. The same policy applies to co-opted members and staff. The declaring of interests by a trustee forms part of a wider code of behaviour expected of trustees in fulfilling their obligations which has been codified into the Director Code of Conduct.

Plans for the future

During the course of 2023 we were finalising our new initiative on climate change and household finances in the UK. Along with many others we recognise the grave threat that climate change presents to all of us. What has been less evident in this debate has been the impact of climate change on the living standards of people on low-to-middle incomes. As a result we aim to fund more research, policy and advocacy work that will protect and improve the finances of people on lower incomes as the UK adapts to climate change and works towards meeting its net zero targets. This initiative was launched in January 2024 and will be a major focus for us during the year. We identified a number of priorities we wished to address including transport, energy use, consumption, and impacts on the labour market. This work will build on existing grants we have made, for example the funding to E3G on energy.

A new area we plan to focus on is social tariffs, which we identified as a priority in our first funding strategy. Social tariffs are reduced/discounted rates to those on low incomes, mainly provided by utility companies. They provide an opportunity to improve living standards for low-income households by significantly bringing down costs for essential services such as energy, telecommunications and water. Whilst there was a significant expansion of these tariffs during the cost-of-living crisis, take-up has been low and there is huge variation in the support different providers offer. Almost £300 million of the total annual amount available to fund water social tariffs went unclaimed in 2022-23 – around six-in-ten of those eligible did not claim. In the broadband market, more than £1.5 billion in support may be going unclaimed, with nearly eight million households missing out.

Our aim is to look at these social tariffs across a range of sectors and address barriers including how we might automate access and increase take-up. There are a number of challenges including how these tariffs are paid for, how information and data is shared by companies and government, and how companies share the burden of providing social tariffs. This initiative will include us funding a wide range of research, including modelling different scenarios and impacts, as well as investing in policy and advocacy work. At a time when government budgets are likely to remain tight and there is less room for significant increases to social security, work on reducing expenditure is another tool to helping those on lower incomes.

Our major initiative for 2023 was the launch of the Pensions Review with the IFS, as highlighted on page 12. The Review will remain a priority with a series of major reports being launched in 2024 and final recommendations in 2025. The Trust is actively engaged in the programme of activities, including the public engagement work which we have commissioned. The Review will provide the most comprehensive assessment of living standards in retirement for current and future generations since the Pensions Commission, which reported nearly two decades ago.

A further Commission we launched in late 2022, on the Future of Employment Support, will produce its final report and recommendations in 2024. To date there has been extensive engagement with key stakeholders and much interest in how improved employment support could boost the size of the workforce and lead to improved living standards. As the initial launch report with the Institute for Employment Studies highlighted, if our employment gap for disabled and older people improved from being a mid-ranking nation to being in the top quarter, we would increase employment for these groups by over one million. With significant labour shortages and growing concerns about the numbers claiming health-related benefits the work of the Commission is timely.

The general election will take place in July 2024. Many of our existing grants will be gearing towards influencing political parties, but we also made a number of specific election grants during 2023. Our most significant was to the Institute for Fiscal Studies, which will provide detailed reviews of policy proposals from the main parties, as well as independent analysis of key policy issues in areas such as public finances, living standards, working-age benefits, taxation and public services. This work is being jointly funded with the Nuffield Foundation.

Other work we are funding in this space includes the development of a living standards action plan for the next government, which is being undertaken by the Fabian Society; and a fair pay manifesto by the High Pay Centre. In addition, we will be running a one-day learning event for our funded partners during 2024 which will focus on strategies to influence the next government. We hope this will be an opportunity to focus minds on post-election work and groups sharing knowledge about their planned activities.

We will be gearing up to organising more events with our partners. During the year we will be working with the TUC on a one-day conference focussed on fair work. The keynote speaker will be shadow Chancellor, Rachel Reeves. During the year we will also be holding a one-day conference with the Resolution Foundation on wealth. The focus will be to explore practical policies for the next government – from the bottom of the income distribution (precautionary savings) through the middle (pensions auto-enrolment) to the top (wealth taxation).

As usual we will also publish a wide range of research during 2024 including continuing the policy deep dives and audits with the Resolution Foundation on wealth; a series of reports on social security including several detailed reports on Universal Credit by the University of Bath and by Manchester Metropolitan University exploring work incentives and the calculation of entitlements, payments and repayments; a major review of local authority provision for those with No Recourse to Public Funds by the University of Oxford; a collection of essays by Bright Blue examining the centre-right vision for growing the wealth of those on lower incomes; analysis by the Money and Mental Health Policy Institute to better understand the impact of aggressive debt collection practices on mental health; and work by Carers UK on the financial hardships facing carers.

We will continue gathering evidence on the living standards of those who are financially squeezed – those who are not in poverty but are facing significant financial difficulties. Our policy adviser, Donald Hirsch will be working on this area to help us better understand the financial security challenges facing this group and how they might be better supported. Donald will also be working on the inadequacy of social security and the measures and systems we might introduce to address this.

Our grants budget for 2024 is £3m but this may be increased due to a number of initiatives taking longer to come to fruition during 2023. We expect to continue further commissioning of activities especially with an addition of a new Research Manager post. We also plan to recruit an additional policy adviser role focussed on pensions.

On the investments side we will start work on the planned review of our investment managers. This is part of the good practice we undertake to ensure we have the right expertise to help grow our investments, which ultimately enable us to fund the research, policy and advocacy work outlined in this report. We expected to complete this exercise in early 2024 but this will now be early 2025.

Statement of trustees' responsibilities in respect of the trustees' annual report and the financial statements

The trustees, who are also the directors of the abrdn Financial Fairness Trust for the purposes of company law, are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company and charity law requires the trustees to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including 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 of the Charities SORP;
- 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;
- Assess the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

The trustees are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the charitable company's transactions and 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, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

At the time of approval, trustees confirm that, so far as they are aware, there is no relevant audit information of which the Trust's auditors are unaware. The trustees also confirm that they have taken all appropriate steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Approved by order of the Board of Trustees on 17 June 2024 and signed on its behalf by:

David Norgrove

……………………………………

David Norgrove, Chair

Independent auditor's report to the trustees and member of abrdn Financial Fairness Trust

Opinion

We have audited the financial statements of abrdn Financial Fairness Trust ("the charitable company") for the year ended 31 December 2023 which comprise the statement of financial activities (including income and expenditure account), balance sheet, statement of cash flows and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2023 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the charitable company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the charitable company or to cease its operations, and as they have concluded that the charitable company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the trustees' conclusions, we considered the inherent risks to the charitable company's business model and analysed how those risks might affect the charitable company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the trustees' assessment that there is not, a material uncertainty related 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 the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the charitable company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of trustees and management as to the charitable company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected, or alleged fraud; and
- Reading Board minutes to assess for any discussion of fraud.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. We also performed procedures including identifying journal entries to test based on high risk criteria and comparing the identified entries to supporting documentation. These included all material post year-end closing journals.

On this audit we have rebutted the fraud risk of revenue recognition because the calculation of revenue is non-judgmental and straightforward, with limited opportunity for manipulation. We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general and commercial sector experience, through discussion with the trustees and other management (as required by auditing standards), and from inspection of the charitable company's regulatory and legal correspondence and discussed with trustees and other management the policies and procedures regarding compliance with laws and regulations.

As the charitable company is regulated, our assessment of risks involved with gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements, how they analyse identified breaches and assessing with whether or not there were any implications of identified breaches on our audit.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Firstly, the charitable company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the charitable company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the charitable company's authority to operate. We identified the following areas as those most likely to have such an effect: key areas of Scottish Charity regulations, financial services regulations and certain aspects of company legislation recognizing the financial and regulated nature of the charitable company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing noncompliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The trustees are responsible for the other information, which comprises the Trustees' Report, and the Chair's Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Trustees' Report which constitutes the strategic report and the trustees' report for the financial year, is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended), we are required to report to you if, in our opinion:

- the charitable company has not kept adequate and proper accounting records 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 take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 32, 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: https://www.frc.org.uk/about-us/role-and-responsibilities/

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the charitable company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's member and the charitable company's trustees 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, its member and its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Archer

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Grant Archer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

17th June 2024

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Saltire Court
20 Castle Terrace
Edinburgh, EH1 2EG

Statement of Financial Activities* for the year ended 31 December 2023

*(including income and expenditure account)

	Note	Unrestricted 2023 £	Unrestricted 2022 £
Income:			
Donations and legacies	1	222,881	168,583
Investment income	2	2,558,648	2,448,507
Total income and endowments		**2,781,529**	**2,617,090**
Expenditure on:			
Raising funds	3	258,459	303,083
Charitable activities	4	3,388,595	2,067,261
Total expenditure		**3,647,054**	**2,370,344**
Net gains / (losses) on investments	8	4,742,909	(13,881,613)
Net income / (expenditure) and net movement in funds		**3,877,384**	**(13,634,867)**
Reconciliation of funds:			
Total funds brought forward at 1 January		**89,871,454**	**103,506,321**
Total funds carried forward at 31 December	13	**93,748,838**	**89,871,454**

The Statement of Financial Activities includes all gains and losses in the year, as well as irrecoverable VAT where applicable. All incoming resources and resources expended are from continuing operations.

The accounting policies and notes on pages 40 to 49 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2023

	Note	2023 £	2022 £
Fixed assets			
Investments	8	93,329,588	87,590,560
Total fixed assets		**93,329,588**	**87,590,560**
Current assets			
Debtors	9	4,159	3,522
Cash at bank and in hand		1,215,023	2,639,077
Total current assets		**1,219,182**	**2,642,599**
Liabilites			
Creditors: amounts falling due within one year	10	717,432	327,405
Net current assets		**501,750**	**2,315,194**
Creditors: amounts falling due after more than one year	11	82,500	34,300
Total net assets		**93,748,838**	**89,871,454**
Total funds of charity			
Unrestricted funds	13	83,330,149	84,851,884
Revaluation reserve	13	10,418,689	5,019,570
Total unrestricted income funds	13	**93,748,838**	**89,871,454**

The accounting policies and notes on pages 40 to 49 form an integral part of these financial statements.

Approved by order of the Board of Trustees on 17 June 2024 and signed on its behalf by:

David Norgrove

David Norgrove
Chair
abrdn Financial Fairness Trust

James Daunt
Chair of Finance, Investment and Risk Committee
abrdn Financial Fairness Trust

Statement of Cash Flows for the year ended 31 December 2023

Cash flows from operating activities	Note	2023 £	2022 £
Net cash used in operating activities		**(2,986,583)**	**(2,342,859)**
Cash flows from investing activities:			
Proceeds from sale of investments	8	16,553,495	19,719,337
Purchase of investments	8	(17,549,614)	(20,634,541)
Dividends and interest income from investment		2,558,648	2,448,507
Net cash provided by investment activities		**1,562,529**	**1,533,303**
Change in cash and cash equivalents in the year		**(1,424,054)**	**(809,556)**
Cash and cash equivalents at the beginning of the year		**2,639,077**	**3,448,633**
Cash and cash equivalents at the end of the year		**1,215,023**	**2,639,077**

Reconciliation of net income / (expenditure) to net cash flow from operating activities	2023 £	2022 £
Net income / (expenditure) for the year (as per the statement of financial activities)	**3,877,384**	**(13,634,867)**
Adjustments for:		
(Gains)/losses on investments	(4,742,909)	13,881,613
Dividends and interest income from investment	(2,558,648)	(2,448,507)
Increase in debtors	(637)	(168)
Increase / (decrease) in creditors	438,227	(140,930)
Net cash used in operating activities	**(2,986,583)**	**(2,342,859)**

Analysis of cash and cash equivalents	2023 £	2022 £
Cash at bank	1,215,023	2,639,077
Total cash and cash equivalents	**1,215,023**	**2,639,077**

The accounting policies and notes on pages 40 to 49 form an integral part of these financial statements.

Notes to the financial statements

Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Basis of preparation

The financial statements of the Trust have been prepared on the accruals basis and 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) (effective 1 January 2019) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The Trust meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

(b) Going concern

The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern, given that the Trust has significant net assets and sufficient liquidity to continue in operational existence for at least the next 12 months from the date these financial statements are approved. Consequently, trustees have prepared the financial statements on the going concern basis.

(c) Income

Investment income is recognised in the Statement of Financial Activities ("SOFA") when it is receivable and the amount can be measured reliably. Donations in kind from abrdn plc are included as income and measured at the value to the Trust; measurement is consistent with other intra-group recharges for similar services and facilities, or at cash value where payment has been made on behalf of the Trust.

(d) Expenditure

Expenditure is accounted for on an accruals basis. Support costs comprise of costs associated with the management and administration of the Trust. Governance costs comprise legal advice and support, external audit fees, costs associated with constitutional and statutory requirements and expenditure relating to the Board of Trustees. Investment management fees are included as expenditure on raising funds. All costs are inclusive of irrecoverable VAT where applicable.

(e) Grants

Grant commitments are recognised in full when the Trust formally notifies the recipient of the award following approval by the Board of Trustees, where there is a legal or unconditional obligation to the grant recipient. Grant commitments for which payment was outstanding at the balance sheet date are shown as liabilities in the Balance Sheet. Grant commitments are not recognised, or not recognised in full, where a commitment is made to provide grant funding, but the Trust has placed performance related or other obligations on the grant recipient. The funding commitment in these circumstances is classed as a contingent liability.

(f) Funds

Unrestricted funds are funds which are available for use at the discretion of the trustees in furtherance of the objectives of the Trust. Whilst it is the intention of the trustees to preserve the value of the initial donation in real terms in order to have an enduring impact on the Trust's charitable activity, this approach does not preclude a decision by the trustees to spend more on its charitable activities. The Trust does not have restricted funds.

(g) Investments

The Trust has elected to apply the provisions of Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments Issues of FRS 102 to account for its financial instruments.

Applying the provisions of Section 11, the charity includes both listed and unlisted equities, and pooled investment funds at fair value in the balance sheet. As permitted under Section 11, the charity has designated its debt securities as at fair value through profit or loss as these instruments are managed and performance evaluated on a fair value basis. Listed equities and pooled investment funds held at fair value are stated at the bid price where available, or mid-price where the investment manager is unable to provide the bid price. The unlisted equities held at fair value, which relate to investments in infrastructure funds, are valued at net asset value. The underlying investments in infrastructure funds are generally valued based on the phase of individual projects forming the overall investment and discounted cash flow techniques based on project earnings. Under Section 11, cash and cash equivalents are valued at initial cost less impairment in the balance sheet.

Realised and unrealised gains and losses are combined within the SOFA in the year in which they arise. Realised gains and losses on investments are calculated as the difference between net sales proceeds and historic cost. Unrealised gains and losses on investments within the SOFA are calculated as the difference between the valuation at balance sheet date and opening market value. The closing balance of the investment revaluation reserve represents the difference between the valuation at balance sheet date and historic cost.

Dividend and interest income is recognised in the SOFA when it is receivable and the amount can be measured reliably. Any investment income arising from underlying investments of pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Net gains/(losses) on investments' in the SOFA.

(h) Taxation

The Trust is registered by OSCR as a charity for the purposes of the Charities and Trustee Investment (Scotland) Act 2005 and is entitled under section 13(2) of the Act to describe itself as a Scottish Charity. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The Trust is part of the abrdn plc VAT group but does not make any taxable goods or services for VAT purposes. Consequently, the Trust suffers irrecoverable VAT which is recorded and disclosed with the cost of the underlying services.

(i) Debtors

Debtors are recognised as the settlement amount due to the Trust.

(j) Creditors

Creditors and provisions are recognised where the Trust has a present obligation resulting from a past event that will probably result in a 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 recognised at their settlement amount.

1. Donations and legacies

	2023 £	2022 £
Donated services and facilities	222,881	168,583
Total donations and legacies	**222,881**	**168,583**

Donated services and facilities in both 2023 and 2022 relate largely to the provision of facilities and services donated to the Trust by abrdn plc. The donated facilities relate to office space provided for the Trust's staff which was valued at £43,089 (2022: £34,350). Donated services include IT support costs of £83,978 (2022: £73,799) and support from the abrdn plc communications team valued at £8,653 (2022: £7,300). Donated services were also received from external parties (Google) for advertising totalling £87,161 in 2023 (2022: £53,134).

2. Investment income

	2023 £	2022 £
Dividend income	2,440,201	2,424,780
Interest income	118,447	23,727
Total income from investments	**2,558,648**	**2,448,507**

3. Expenditure on raising funds

		2023 £	2022 £
Investment management fees	14	258,459	267,033
Investment administration and transaction costs		–	36,050
Total expenditure on raising funds		**258,459**	**303,083**

4. Charitable activities

Grant making activities in the year were all to organisations undertaking charitable activity. For full details on the amount of the award and the organisations funded, please see pages 14 and 15 of the trustees' report. Grant expenditure has been disclosed below by funding programme.

Funding programme	Note	Non-contingent funding £	Contingent payments £	Support costs £	Total 2023 £
Income		169,453	730,555	80,517	980,525
Spending		70,850	559,051	48,310	678,211
Assets		101,286	806,772	32,207	940,265
Cross cutting		27,055	143,543	22,545	193,143
Total grants awarded		**368,644**	**2,239,921**	**183,579**	**2,792,144**
Other support costs		–	–	596,451	596,451
Total charitable activities	**5**	**368,644**	**2,239,921**	**780,030**	**3,388,595**

The comparative for 2022 was:

Funding programme	Note	Non-contingent funding £	Contingent payments £	Support costs £	Total 2022 £
Income		25,000	595,129	64,608	684,737
Spending		50,895	395,288	47,754	493,937
Assets		–	319,026	30,899	349,925
Cross cutting		40,198	48,039	11,236	99,473
Total grants awarded		**116,093**	**1,357,482**	**154,497**	**1,628,072**
Other support costs		–	–	439,189	439,189
Total charitable activities	**5**	**116,093**	**1,357,482**	**593,686**	**2,067,261**

Support costs of £183,579 (2022: £154,497) have been disclosed beside grants pledged in the year. During the year additional costs of £596,451 (2022: £439,189) were incurred in relation to other support activities furthering the charitable aims of the organisation, including significant time with other grant applicants; development of networks in the sector, policy work, and communication of charitable activity. A number of grants awarded have performance related or other obligations included as part of their grant conditions, and therefore all, or part, of their grant award has been treated as a contingent liability. There is full expectation to pay out future grant instalments as set out in grant contracts once obligations are met by the recipient.

The following tables set out the Trust's total grant pledges of £1,818,227 (2022: £2,690,850) and payments of £2,207,781 (2022: £1,620,408) during the year, split between recognised and unrecognised commitments. Please note £142,291 of funding, which was pledged and designated in 2022, is also included within the 'funding awarded' column, as contracting for this work was finalised in early 2023.

Movement in recognised funding commitments

Programme	at 01.01.23 £	Funding awarded £	Funding paid £	Transfers and un-needed £	at 31.12.23 £
Income	104,300	169,453	(131,458)	(27,455)	114,840
Spending	58,000	70,850	(106,550)	156,585	178,885
Assets	–	101,286	(63,786)	195,500	233,000
Cross-cutting	–	27,055	(57,055)	66,364	36,364
Totals	**162,300**	**368,644**	**(358,849)**	**390,994**	**563,089**

Movement in unrecognised funding commitments

Programme	at 01.01.23 £	Funding awarded £	Funding paid £	Transfers and un-needed £	at 31.12.23 £
Income	895,298	755,690	(758,010)	27,455	920,433
Spending	753,381	250,104	(402,471)	(170,420)	430,594
Assets	1,572,772	217,080	(611,272)	(195,500)	983,080
Cross-cutting	68,196	369,000	(77,179)	(66,364)	293,653
Totals	**3,289,647**	**1,591,874**	**(1,848,932)**	**(404,829)**	**2,627,760**

Prior year movement in recognised funding commitments

Programme	at 01.01.22 £	Funding awarded £	Funding paid £	Transfers and un-needed £	at 31.12.22 £
Income	119,800	25,000	(212,800)	172,300	104,300
Spending	128,500	50,895	(137,257)	15,862	57,999
Assets	32,109	–	(32,109)	–	–
Cross-cutting	28,723	40,198	(64,010)	(4,912)	–
Totals	**309,132**	**116,093**	**(446,176)**	**183,250**	**162,299**

Prior year movement in unrecognised funding commitments

Programme	at 01.01.22 £	Funding awarded £	Funding paid £	Transfers and un-needed £	at 31.12.22 £
Income	989,777	500,650	(422,829)	(172,300)	895,298
Spending	482,184	668,415	(379,426)	(17,792)	753,381
Assets	580,798	1,311,000	(319,026)	–	1,572,772
Cross-cutting	21,543	94,692	(52,951)	4,912	68,196
Totals	**2,074,302**	**2,574,757**	**(1,174,232)**	**(185,180)**	**3,289,647**

5. Support costs

	Note	2023 £	2022 £
Staff costs	7	385,104	330,673
Staff training and recruitment		4,431	3,522
Policy consultant		26,125	–
Donated services and facilities	1	222,881	168,083
Governance costs		115,055	68,302
Travel and accommodation – staff		6,935	5,080
Marketing and communications		16,359	16,285
Office costs and other		3,140	1,741
Total support costs		**780,030**	**593,686**

In both 2023 and 2022, all support costs relate to charitable activities. The breakdown of governance costs in the year is as follows:

	Note	2023 £	2022 £
Legal fees		3,131	588
Auditor remuneration	12	16,200	13,536
Trustees' indemnity insurance		6,550	6,876
Staff costs	7	53,231	40,891
Trustee expenses		8,523	5,512
Trustee recruitment		27,420	–
Strategy day		–	899
Total governance costs		**115,055**	**68,302**

6. Trustees' remuneration

No trustee received any emoluments or benefits in kind during the year (2022: £nil) in respect of their services.

Trustees are reimbursed for travel, accommodation and subsistence costs incurred in carrying out their duties that are permitted by the Trust's expenses policy. The Trust also pays for travel and accommodation directly on behalf of some trustees. The total sum expended during 2023 in respect of trustee expenses was £8,523 (2022: £5,512) and is included within governance costs – see note five. Ten trustees were reimbursed during the year (2022: nine).

7. Analysis of staff costs and remuneration of key management

a) Staff costs

Staff working for the Trust have employment contracts through Aberdeen Corporate Services Limited (ACSL). ACSL is a wholly owned subsidiary of abrdn plc, the Trust's ultimate controlling entity, and therefore a related party of the Trust (see note 14). Staff costs, including contributions to a defined contribution pension scheme, are recharged from ACSL to the Trust.

	2023 £	2022 £
Wages and salaries	339,180	286,738
Social security costs	33,566	30,563
Pension contributions	64,328	52,927
Other employee benefits	1,261	1,336
Total staff costs	**438,335**	**371,564**

The Trust has a small staff team. At 31 December 2023 there were seven staff, five of whom worked part-time (5.7 FTE). The comparison for 2022 was: six staff, four of whom worked part-time (4.9 FTE). Four employees received a full-time equivalent salary of more than £60,000 per annum (2022: one).

Salary band	Number of employees	
	2023	2022
£60,000 - £70,000	**3**	
£70,000 - £80,000		
£80,000 - £90,000		
£90,000 - £100,000		
£100,000 - £110,000		**1**
£110,000 - £120,000	**1**	

b) Remuneration of key management

The key management of the Trust are those persons having authority and responsibilities for planning, directing and controlling the activities of the Trust, directly or indirectly. For the Trust, this comprises the trustees, who set the policy and strategic direction of the charity, and senior staff, who are tasked with the day-to-day operations and management. The trustees receive no remuneration in respect of their services.

Senior staff are the Chief Executive Officer, Head of Policy and Research, Head of Finance and Operations, and Head of Communications. Please note only the Chief Executive was classed as key management in the prior year; with the change in policy reflecting the growth of the Trust. The remuneration of senior staff at the Trust is set by the Nomination, Governance and Remuneration Committee. Total employee benefits paid to key management (including pension contributions and employers' national insurance contributions) totalled £336,364 during 2023 (2022: £297,885 updated for the change in key management).

8. Investments

	2023 £	2022 £
Market value at beginning of year	87,590,560	100,556,969
Acquisitions	17,549,614	20,634,541
Distributions from investments	208,620	402,051
Disposal proceeds	(16,553,495)	(19,719,337)
Net gains / (losses) on investments	4,534,289	(14,283,665)
Market value at end of year	**93,329,588**	**87,590,560**

Represented by	2023 £	2022 £
Listed equity	64,072,068	60,790,730
Unlisted equity	9,463	80,774
Investment funds	21,963,401	25,172,884
Debt securities	7,284,656	1,546,172
Market value at end of year	**93,329,588**	**87,590,560**

Most investments (99.9%) held by the Trust are classed as listed, being traded either on recognised exchanges or over the counter, with pooled investment funds having an OEIC or unit trust structure. The Trust invested in an illiquid infrastructure fund during 2022. Undrawn commitments to this fund total £5,157,325 at 31 December 2023 (2022: £5,271,393).

Investments in listed equity securities and government bonds totalled £71,356,724 at 31 December 2023 (2022: £62,336,902) and these investments are classed as level one investments. Level one investments are measured during quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market exists where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Investments in pooled investment funds and corporate bonds total £21,963,401 at 31 December 2023 (2022: £25,172,884) and these are classed as level two investments. Level two investments are measured using inputs other than quotes prices included within level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Investments in unlisted equity totalled £9,463 at 31 December 2023 (2022: £80,774) and this is classed as a level three investment. Level three investments are measured using inputs that are not based on observable market data (unobservable inputs).

The Trust has limited exposure to all investment risks as set out within FRS 102, including credit risk, currency risk, interest rate risk, other price risk and to a lesser extent, liquidity. Risks have been considered and mitigated through the construction of a diverse portfolio of investments, and by retaining expert advisers to manage the investment portfolio. Risk parameters are considered by the investment managers as part of the investment mandate and reviewed regularly. The Trust's investment policy sets out agreed asset allocations across various asset classes along with percentage limitations on both individual investments and pooled funds. The Trust also reviews the performance of the portfolio against risk tolerance levels on a regular basis.

Net gains/losses on investments includes both unrealised and realised gains/losses arising in the investment portfolio. Unrealised gains during the year totals £5,399,119 (2022: losses of £11,510,294) and there were realised losses on the sale of investments of £864,830 (2022: losses of £2,773,370). Distributions from investments of £208,620 (2022: £402,051) consist of accumulation dividends received during the year. These are aggregated within 'Net gains/losses on investments' in the SOFA of £4,742,909 (2022: losses of £13,881,613).

9. Debtors: amounts falling due within a year

	2023 £	2022 £
Prepayments	4,159	3,522
Total debtors	**4,159**	**3,522**

10. Creditors: amounts falling due within a year

	Note	2023 £	2022 £
Funding awarded and payable		480,589	127,999
Other creditors – accruals		88,750	18,665
Due to related parties	14	148,093	180,741
Total creditors due within a year		**717,432**	**327,405**

11. Creditors: amounts falling due after more than one year

	2023 £	2022 £
Funding awarded and payable	82,500	34,300
Total creditors due after more than one year	**82,500**	**34,300**

12. Auditor remuneration

	2023 £	2022 £
Accrued fees payable to the Trust's auditor	16,200	13,536
Auditor remuneration	**16,200**	**13,536**

No non-audit services were provided to the Trust during the period.

13. Movements in funds during the year

	Unrestricted funds £	Designated funds £	Revaluation reserve £	Total unrestricted funds £
1 January 2023	84,701,884	150,000	5,019,570	89,871,454
Additions at cost	17,549,614	–	–	17,549,614
Distributions from investments	208,620	–	–	208,620
Sale of investments	(16,553,495)	–	–	(16,553,495)
Net gains/(losses) on investments	(864,830)	–	5,399,119	4,534,289
Increase in debtors	637	–	–	637
Increase in creditors	(438,227)	–	–	(438,227)
Decrease in cash and equivalents	(1,424,054)	–	–	(1,424,054)
Transfers between funds	150,000	(150,000)	–	–
31 December 2023	**83,330,149**	**–**	**10,418,689**	**93,748,838**

Trustees pledged £166,320 towards research and public engagement work during 2022, of which £150,000 was uncontracted on 31 December 2022. This work was subsequently contracted in 2023 and therefore designated funds have been reduced to nil.

Prior year movement in funds	Unrestricted funds £	Designated funds £	Revaluation reserve £	Total unrestricted funds £
1 January 2022	86,976,458	–	16,529,863	103,506,321
Additions at cost	20,634,541	–	–	20,634,541
Distributions from investments	402,051	–	–	402,051
Sale of investments	(19,719,337)	–	–	(19,719,337)
Net gains/(losses) on investments	(2,773,370)	–	(11,510,294)	(14,283,664)
Decrease in debtors	168	–	–	168
Decrease in creditors	140,930	–	–	140,930
Increase in cash and equivalents	(809,556)	–	–	(809,556)
Transfers between funds	(150,000)	150,000	–	–
31 December 2022	**84,701,884**	**150,000**	**5,019,570**	**89,871,454**

14. Related party transactions

The majority of the Trust's purchases are paid for by Aberdeen Corporate Services Limited (ACSL), a wholly owned subsidiary of abrdn plc, as the Trust uses their accounts payable system. These costs of £637,651 (2022: £518,035), including staff costs of £438,335 (2022: £371,564) for the year were then invoiced quarterly to the Trust. The amount owed to ACSL on 31 December 2023 was £148,093 (2022: £116,016).

The Trust's investment managers to 31 August 2023 were abrdn Capital Limited, a subsidiary of abrdn Investments (Holdings) Limited; in turn a subsidiary of abrdn plc. Investment management fees incurred for the eight months to this date totalled £170,158 (2022: £267,033 for twelve months). There were no amounts due to abrdn Capital at 31 December 2023 (2022: £64,726).

The Trust's investment manager invests under a discretionary mandate and is therefore responsible for stock selection. The Trust held £16,918,617 of abrdn owned pooled investment funds and related equities at 31 December 2023 (2022: £21,188,977) and received dividend income from these investments during the year of £486,413 (2022: £284,865).

The Trust committed €6,000,000 into the abrdn Core Infrastructure III fund during 2022, of which £5,157,325 remains undrawn at 31 December 2023 (2022: £5,271,393).

No trustee received any remuneration for their role. Details of expenses paid to trustees, who are also directors for the purposes of Company Law, are set out in note six. Two trustees received remuneration as a result of their employment or prior employment with abrdn plc.

The following grants were made where conflicts of interest arose. Conflicted trustees or co-opted members did not take part in any discussion or decision making involving the grant:

- Kate Bell is a trustee and also the Assistant General Secretary at the Trade Union Congress (TUC). A grant was awarded to TUC for £21,800 in 2023.
- Jeffrey Hayes is a co-opted member of the Finance, Investment and Risk Committee, and also sits as a co-opted member of the Finance and Risk Committee at Carers UK. A grant of £129,790 was awarded to Carers UK in 2023.
- Sharon Collard is a co-opted member of the Research and Grants Committee and also employed by the University of Bristol. Two grants totalling £79,744 were awarded to the University of Bristol in 2023.

abrdn
Financial Fairness Trust

abrdn Financial Fairness Trust

We are an independent charitable foundation supporting strategic work which tackles financial problems and improves living standards. Our focus is on improving the lives of people on low-to-middle incomes in the UK.

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