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Sustainable Investing: The Foundation Perspective

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Foreword

Across our conversations with endowments and foundations, three themes emerged consistently: a desire for more open dialogue with the investment industry, clearer and more consistent terminology, and greater confidence in the outcomes sustainable investing can deliver.

It is a pleasure to introduce our 2026 report, **Sustainable Investing: The Foundation Perspective**, drawing on conversations with more than 25 UK endowments and foundations, alongside advisers working closely with the sector.

At EdenTree, we are proud of the relationships we've built with charities and foundations over the years, both as an investor and as part of the Benefact Group, the third largest corporate donor in the UK.[1] Owned by a grant-making charity, Benefact Trust, we welcome our close connection to the sector and the opportunity to learn from it.

As committed sustainable investors, we also understand the delicate balance required to pursue the resilient long-term returns essential to supporting charitable activity while remaining true to the values that underpin our approach.

Our aim for this paper is to share how foundations are thinking about sustainable and impact investing, the barriers they face and how the investment industry can better support their goals.

We know terms like 'sustainable' and 'impact' mean different things to different people. At EdenTree, we see sustainable investing as identifying businesses that help address real-world challenges and create value for a broad range of stakeholders, positioning them for long-term success. Our conversations suggest many foundations share this perspective.

We would like to thank all the organisations that contributed their perspectives to this research. We are particularly grateful to the Impact Investing Institute for providing an expert essay, and for its broader contribution to the development of the sector. We are also pleased to incorporate insights from colleagues across EdenTree, many of whom are actively engaged in the sector through voluntary trustee and investment committee roles.

We hope the insights that follow help inform future discussions and support endowments and foundations as they consider how their assets can best serve their missions and contribute to positive long-term outcomes.



Andy Clark

Chief Executive Officer, EdenTree

As one endowment representative told us:

> **This isn't about doing good for good's sake.**
>
> **There are businesses addressing systemic challenges… and these are the businesses we believe will succeed.**

[1]Directory of Social Change's UK Guides to Company Giving 2017-26

Sustainable Investing: The Foundation Perspective

Introduction

Earlier this year, EdenTree took part in the Endowments Investing Challenge (EIC), a public tender hosted by a group of UK charitable foundations that placed young people at the heart of the decision-making process. Conversations typically held in boardrooms were brought into an open forum, enabling investment managers, foundations, trustees and young people to engage directly on the role they want investment capital to play.

The EIC reflected a broader shift taking place across the sector with foundations increasingly reflecting on the role of their investments in advancing their mission. At the same time, many of the systemic challenges foundations are working to address through their grant-making, from climate change and biodiversity loss to inequality and social justice, are having growing implications for investment decision-making and the importance of sustainable investing.

Perhaps most notably, foundations are becoming increasingly interested not only in what their investments deliver, but in how those outcomes are achieved. Alongside financial performance, trustees and investment committees are paying greater attention to the stewardship practices, engagement activities and sustainability approaches of their asset managers. As foundations become more sophisticated in their approach to investing, expectations of managers are evolving accordingly.

To better understand current thinking on these themes, we spoke with endowments and foundations representing collective assets of over £15bn, alongside several sector experts.

While the primary focus of this report is sustainable investing, we also touch on impact in public markets and broader total impact approaches, drawing on examples and perspectives from foundations at different stages of their investment journey.

A number of excellent reports and surveys have already explored this topic. Rather than repeat existing research, our aim was to listen more deeply to foundations and understand how they want to engage with the asset management industry. We deliberately engaged a cross-section of stakeholders, including trustees, investment committee members, in-house investment teams and grants managers, to capture a range of perspectives.

Although titled Sustainable Investing: The Foundation Perspective, this report does not seek to speak on behalf of foundations. Instead, it aims to reflect the views we heard, highlighting key priorities, ambitions and concerns, and exploring where the investment industry is meeting expectations and where it still has further to go.

The conversations revealed a foundation sector that is diverse in both its priorities and its views on sustainable and impact investing. Some organisations are only beginning to integrate sustainability considerations into investment decision-making, while others are seeking to align their capital more closely with their mission. Yet across this spectrum, interviewees shared a common interest in understanding how investment approaches can better support charitable objectives, protect their organisation's reputation and contribute to positive long-term change.

While this report cannot capture every voice, we hope it provides a useful snapshot of current thinking and contributes to ongoing conversations across the sector.

Key takeaways

Foundations

Our advice to other foundations would be to simply reflect on where they're at in their sustainable investing journey. Share that transparently, and commit to progress, whatever that may look like. We all have a role to play in contributing to a better future.*

Interviewees consistently highlighted the value of transparency and openness around investment decision-making. There was also a strong appetite for greater peer learning, with foundations keen to share experiences, challenges and approaches.

Consultants

Offering unbiased, educational sessions on the sustainable investing landscape would help create more clarity.

Interviewees identified a clear need for board education. As independent advisers, consultants have an important role to play in demystifying sustainable investing and bridging the gap between foundations and their investment managers.

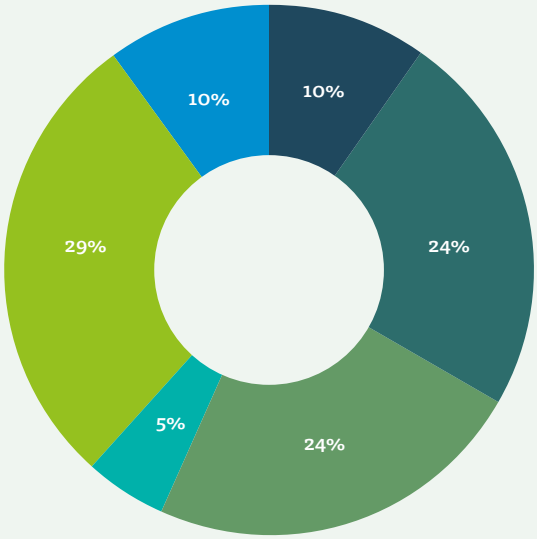
Investment managers

Foundations do not expect perfection, but they do expect honesty, context and a clear articulation of what you're doing on their behalf.

Clear, transparent communication emerged as a key expectation. Foundations want investment managers to demonstrate a genuine understanding of charitable objectives and explain decisions in a way that is both accessible and accountable.

*Unless otherwise stated, all quotations are anonymised comments from foundation representatives interviewed for this report.

Participants by Portfolio Size



Acknowledgements

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Understanding the Spectrum



Understanding the Spectrum

Making Sense of the Jargon

There is so much jargon out there and trustees can be scared to ask questions.

– Charity Consultant

Our conversations revealed a common theme: foundations are increasingly embracing the language of responsible, sustainable and impact investing. However, many told us they are growing weary of the expanding investment vocabulary and the lack of consistency in how terms are used. As labels increasingly overlap, trustees can find it difficult to distinguish between approaches and understand what they mean in practice. This is particularly true for commonly used terms such as Ethical, Responsible, Sustainable and Impact, which are often interpreted and applied in different ways.

This evolution has been part of our story for more than three decades. We were founded on ethical principles and today our focus is on sustainable and impact investing. We share our journey below not because it is the only way to approach investing, but because it reflects how these terms are backed by philosophy, process and outcomes. Every manager will have their own framework and definitions, and foundations should feel confident asking how these translate into investment decisions, monitoring and reporting.

Ultimately, the most important question is not what a fund or strategy is called, but how it works, what it seeks to achieve and how those outcomes are evidenced over time.

Ethical: Values-led investing	**Responsible:** ESG-integrated investing	**Sustainable:** Long-term value creation	**Impact:** Targeted outcomes
Definition: Align investments with ethical, moral, religious or social values by avoiding activities that conflict with those principles.	**Definition:** Incorporate financially material ESG risks and opportunities into investment analysis, decision-making and stewardship activities.	**Definition:** Invest in businesses whose products, services and practices are compatible with long-term environmental, social and economic sustainability.	**Definition:** Intentional investing to generate positive, measurable environmental or social outcomes alongside financial returns.
Purpose: Maintain values alignment and avoid exposure to unwanted activities.	**Purpose:** Enhance long-term risk-adjusted returns and support effective stewardship.	**Purpose:** Create long-term value for investors while contributing positively to people and planet.	**Purpose:** Enhance real-world outcomes and investor contribution.
Process: Sector exclusions, ethical screening, values-based assessments.	**Process:** ESG screening, sustainability analysis, engagement, proxy voting.	**Process:** EdenTree Standard, materiality assessment, sustainability grading and ongoing monitoring.	**Process:** Public market investing, impact themes, theory of change, KPIs, measurement and reporting, engagement for outcomes.

Many of these approaches are not mutually exclusive and often share common characteristics. For example, most approaches may lead investors to avoid companies or sectors perceived as causing significant harm to people or the planet, which can result in overlap in both portfolio holdings and exclusions.

The key distinction lies not in whether certain companies are included or excluded, but in the underlying intention of the investment approach. That intention shapes the investment objective, which in turn influences how assets are selected, how performance is assessed and how stewardship activities are prioritised.

Impact in Public Markets: Rebadge or Genuine?

As an investment approach, impact investing has its roots in private markets, where investors often provide capital directly to projects, businesses and assets intended to deliver positive social or environmental outcomes. The term itself was coined at a conference convened by The Rockefeller Foundation in 2007[2]. Coming about a decade later, it is perhaps unsurprising, therefore, that public market impact investing has sometimes been viewed as a lesser version of private-market impact or simply a rebadging of existing sustainable investment approaches.

Framed through a private market lens, the scepticism is understandable. Investors rightly ask how buying a listed company's shares or bonds in secondary markets can contribute to real-world change, although this itself is not considered a core mechanism for delivering public market impact. Meanwhile the catalogue of ESG-related terms that has emerged over the past decade has made it difficult for investors to calibrate expectations around what constituted credible impact investing in public markets. This has left some to wonder whether all approaches are simply different shades of impact investing.

> **Where it gets particularly muddy is where responsible and sustainable investing has been rebadged as impact.**
>
> – Charity Consultant

However, public market impact investing has evolved into a credible and meaningful approach for the impact investors toolkit. Over the past decade, investors, academics and industry bodies have developed more robust approaches to intentionality, measurement, stewardship and investor contribution. The UK's Sustainability Disclosure Requirements (SDR), particularly the Sustainability Impact label, have helped raise the bar by setting a high standard for impact claims rather than simply rebadging sustainable strategies. In doing so, they have provided greater clarity on the different approaches to sustainability and reinforced the distinct role of impact investing in public markets, underpinned by transparency, accountability and clear investor contribution.

Perhaps most importantly, public market impact investing is now rightly recognised as a distinct discipline, complementing rather than subordinating private market impact. While the mechanisms for achieving impact differ, both approaches can play an important role in helping investors pursue positive outcomes alongside financial returns.

[2]The roots of impact investing - The Power of Change - Impact Report

In public equities, investors may seek to influence how companies define, measure and scale their impact through stewardship, engagement and voting, pursuing each with a clear impact focus. In fixed income markets, investors can support issuers whose activities address environmental and social challenges while engaging on the use of proceeds, performance and outcomes. Through this dialogue, investors may help influence how future bonds are structured and how issuers approach future impact-related capital raising.

The question, therefore, is not whether public market impact investing looks identical to private market impact. It does not. The more relevant question is whether investors have a credible, evidence-based approach to contributing to positive outcomes and can demonstrate how their investment activities support that objective. That is ultimately the standard by which any impact strategy should be judged.



Aaron Cox,

Impact Strategist at EdenTree and Member of the Impact Investing Institute's Community of Practice for Public Markets

Key differences between private and public market impact:

Private markets	Public markets
Stronger capital additionality	Stronger stewardship scalability
Greater control and influence	Broader reach across large companies
Easier investment-to-activity link	Easier access to systemically important firms
Lower liquidity	Higher liquidity
Often project focused	Often company and sector focused
Impact often enabled through financing	Impact often enhanced through stewardship

Sustainable Investing in Practice

There continues to be a strong culture of transparency and collaboration across the endowment and foundation sector, driven by a shared commitment to creating positive impact. By openly sharing investment approaches, disclosing fund manager and adviser relationships, and highlighting lessons learned, foundations are also encouraging greater transparency within the asset management industry. In this section we highlight three examples of how foundations are embedding sustainability, alongside examples of journeys towards full mission alignment.

A Three-Pillar Approach to Sustainability

BENEFACT TRUST

Benefact Trust exists to make a positive difference in people's lives by funding, supporting and celebrating the work of churches and Christian charities. Through its work, Benefact Trust empowers vulnerable people, strengthens communities and creates opportunities for places and individuals to flourish for the long term. This commitment extends to the management of its endowment. The Trust adopts a three-pillar approach to sustainability that seeks to avoid harm, uphold high standards of stewardship and proactively engage on environmental, social and governance issues. By integrating these considerations into its investment decisions, the Trust aims to generate positive impact alongside financial returns, supporting areas such as education, health and wellbeing, social infrastructure and sustainable solutions that contribute to stronger, more resilient communities.

> **We believe our investments should reflect the same values that underpin our grant-making.**
>
> – Helen Gray, Director

Investing for a Healthier Society

Guy's & St Thomas' Foundation

At **Guy's & St Thomas' Foundation**, the endowment is invested with a clear mission: to support a healthier society. Recognising the role that capital can play in driving positive change, the foundation manages its £1 billion endowment under a dual mandate: delivering strong financial returns while supporting healthier communities and reducing health inequalities. Through a mission-aligned investment approach, Guy's & St Thomas' Foundation integrates ESG considerations, engages actively with companies and investment managers, and invests in areas that contribute to better health outcomes, sustainable development and long-term societal wellbeing. This approach extends across its investment portfolio, property holdings and partnerships, helping to maximise the foundation's impact beyond its grant-making activities.

> **Our endowment is one of our most powerful tools when it comes to driving our mission and creating positive change.**
>
> – Emma Davies, Chief Investment Officer

Building a Collective Voice on Sustainability

TRINITY COLLEGE CAMBRIDGE

Trinity College Cambridge stewards the UK's largest college endowment, managing almost £3 billion to support the College in perpetuity. Its endowment also enables Trinity to support other organisations, institutions and programmes around the university, the city and the country in various ways. With an investment horizon measured in centuries rather than market cycles, its approach is grounded in long-term resilience, risk management and value creation. As part of a world-class university at the forefront of scientific research, Trinity benefits from the insights of academics, students and fellows, many of whom are tackling the environmental and social challenges shaping the future. Alongside reducing portfolio emissions and allocating capital to climate solutions, the College works with investment managers to strengthen stewardship and responsible ownership practices. Trinity is also reducing emissions across its property portfolio and enhancing biodiversity on its landholdings. Recognising that lasting progress requires collective action, it also brings together investors, researchers and strategic partners to turn knowledge into practical outcomes.

> **Sustainability is often framed as a trend. From a long-term investment perspective, it's simply risk management.**
>
> – Alice La Trobe Weston, Investment Team

The Journey to Mission Alignment

While the examples above illustrate how foundations are incorporating sustainability into their investment practices, an increasing number are exploring how to align a greater proportion of their assets with their charitable purpose. This approach, often referred to as mission-aligned investing or total impact, seeks to ensure that every asset contributes to achieving a foundation's mission.

There is no single route to mission alignment. Foundations are at different stages of the journey, from taking initial steps to better align investments with values and objectives, through to adopting a fully integrated approach in which all forms of capital are deployed in service of the mission.

The illustration below, developed by the Swiss-based philanthropic foundation Ursimone Wietlisbach Foundation, provides a practical framework for understanding where a foundation sits on the capital alignment spectrum and identifying pathways towards deeper mission alignment. The Ursimone Wietlisbach Foundation uses this framework to understand its own position on this spectrum and guide its journey towards full mission alignment.

Capital alignment journey

	Traditional	Responsible	Aligned	Integrated foundation
Primary objective	Maximise financial returns	Achieve market-rate returns while avoiding harm	Generate positive impact alongside market-rate returns	Deploy grants, investments, influence and partnerships as a coherent system
Mission contribution	Grants ■■■■■ Assets ■■■■■	Grants ■■■■■ Assets ■■■■■	Grants ■■■■■ Assets ■■■■■	Grants ■■■■■ Assets ■■■■■

Total Impact

Achieved when all resources work together towards the same mission

Case Studies

The following case studies highlight two foundations at different stages of this journey: one that has recently committed to becoming fully mission-aligned, and another that has already embarked on a journey to total impact across all of its assets and activities.

Joseph Rowntree Foundation

The Joseph Rowntree Foundation (JRF) is a UK foundation dedicated to creating a more equitable and just future, free from poverty, where people and planet can flourish.

JRF has long applied strong environmental, social and governance (ESG) criteria to its approx. £400 million endowment and developed a growing social investment programme. In 2024, JRF Trustees decided to adopt a new strategy and move to a fully mission-aligned endowment over time.

JRF is now gradually increasing allocations to social, impact and transformational investments, shifting capital towards opportunities that generate both financial returns and positive societal outcomes. A particular focus is addressing wealth inequality through investments that support broader ownership, more inclusive governance, and a fairer distribution of economic power. This will involve reallocating money from market-first to impact-first investments aligned with JRF's mission.

Through this whole-endowment approach, JRF demonstrates how foundations can use all of their assets to help drive long-term systemic change.

> **We believe our endowment should not only preserve and grow capital but actively support our vision of a more equitable and just future.**
>
> – Erinch Sahan, Associate Director for Investment

Ursimone Wietlisbach Foundation

The Ursimone Wietlisbach Foundation demonstrates what a mature mission-aligned approach can look like in practice. Dedicated to enabling healthy, fulfilling and active lives in Switzerland and the Mekong region, the foundation has adopted a Total Impact approach that seeks to align every resource and form of capital with its mission.

Rather than treating grants, partnerships, venture philanthropy and endowment investments as separate activities, the foundation intentionally deploys them in ways that reinforce one another and contribute to shared long-term outcomes. For Stefan Germann, the debate is no longer about whether foundations should pursue greater alignment between their assets and mission. Instead, the more important question is:

"Where are we now, and what is the next credible step towards greater alignment?"

The foundation's approach demonstrates that mission alignment is not a fixed destination but an ongoing process of ensuring that every asset is working towards the change a foundation seeks to create.

> **The question is no longer whether foundations can align their assets with mission. The question is whether they can justify not moving towards greater alignment.**
>
> – Stefan Germann, CEO

Sustainable Investing Personas



Sustainable Investing Personas

Our conversations revealed that no two foundations approach sustainable investing the same way. However, common motivations emerged that often shape their approach. We have grouped these into three broad personas: **The Steward, The Aligner** and **The System Changer**, drawing on anonymised insights from the foundations we spoke with.

Most foundations will recognise elements of more than one persona. Rather than fixed categories, these personas provide a useful framework for reflecting on priorities, decision-making and progress along the sustainable and impact investing journey.

The Steward

> **We look to protect our reputation and not provoke criticism.**

All foundations see themselves as stewards, responsible for safeguarding charitable assets for current and future beneficiaries. For **The Steward**, however, this responsibility is the dominant lens through which investments are managed, with fiduciary duty, risk management and reputation central to the investment approach. Investing in a sustainable manner is viewed primarily as an extension of good governance and prudent investment practice rather than a mechanism for driving change.

Stewards place a high value on trusted relationships, strong governance and proven investment approaches. As one trustee put it, it's about seeking "partnerships that provide peace of mind", while another emphasised that "we want to outsource our investments to an investment manager we trust, with a genuine label and process we can point to".

The Aligner

> **It's obvious for grant-makers to invest in line with their mission and to work to amplify the impact of their collective philanthropy as a foundation.**

The Aligner sits between The Steward's focus on reputation protection and The System Changer's ambition to use the whole endowment as a tool for change.

Many Aligners are motivated by a desire to address the tension between grant-making and investing. They want confidence that their capital is not working against the areas they are trying to tackle through their charitable activities, whether through exclusions, stewardship or more targeted allocations. Sustainable investing is seen as a way of bringing investments and purpose into closer alignment.

Financial returns remain important, but there is a recognition that, as one foundation leader noted, "there must be a point at which you might accept some decrease in returns for amplifying your impact." The focus is not on maximising impact at all costs, but on achieving greater consistency between the foundation's assets, values and purpose. Aligners value investment managers who take the time to understand their mission as well as their financial objectives. As one interviewee noted, it is important that managers understand both "the purpose and mission of the organisation" and "the financial model on which the charity operates".

The System Changer

It's about making sure that the money we steward is not just growing but working much harder to support the transition to a more equitable world.

The System Changer views the endowment as an active lever for advancing its mission. These organisations often adopt a whole-endowment approach, using capital allocation, stewardship and grant-making in combination to pursue long-term social and environmental outcomes. Sustainable investing often sits alongside impact investing, social investment and venture philanthropy as part of a broader approach to deploying capital in support of mission.

For System Changers, investing is not separate from mission but an integral part of achieving it. As one interviewee argued, "we should be utilising our capital to further our mission", while another asked, "things are not going so well in the world, why are foundations being so quiet?" These organisations are typically driven by a desire to influence the systems that shape social and environmental challenges, rather than simply avoid harm or achieve mission alignment. As one foundation leader observed, "if you don't take a total assets approach, then you're in a paradox."

Questions to Consider

Which of these personas most closely reflects your organisation today, and where do you want to be in the future? The following questions may help shape that discussion:

1. Where do we currently sit on the spectrum between stewardship, alignment and systems change?
2. Are our investments reinforcing, undermining or independent of the outcomes we seek through our grant-making?
3. Do trustees have a shared understanding of our objectives and appetite for progress?
4. What barriers are preventing us from progressing further, and which of these can we influence?
5. Are we receiving the transparency, challenge and insight we need from our investment managers?
6. If we wanted our endowment to have greater impact, what would need to change in our governance, resources or decision-making?

Foundation Perspectives: What We Heard



Foundation Perspectives: What We Heard

Our conversations revealed three key topics that are front of mind for foundations engaging in sustainable and impact investing: engagement, risk and trade-offs. Progress was often strongest where boards and investment managers were aligned on each topic.

Engagement

> **If you care about governance, then you should care about how the companies you're investing in are governed.**

Engagement is the use of investor influence through dialogue and voting to understand risks, promote accountability, and drive positive environmental, social and governance (ESG) outcomes. For many foundations, engagement is a core component of their sustainable investing approach. When effective, engagement can lead to meaningful change and deliver real-world outcomes. It can also influence investment decisions: if a company is unwilling to engage on material issues or demonstrate progress, some investors may ultimately choose to divest.

A common concern among foundations is whether they are large enough to influence companies through engagement. Some feel they are too small to make a difference, while others question whether their investment managers have sufficient influence on their behalf. Yet growing evidence suggests that size is not the defining factor. Collective action, clear expectations, persistence and a willingness to set non-negotiable standards can all contribute to tangible outcomes. A strong market reputation can be equally important, as investment managers with recognised expertise in a particular area, such as climate change, can leverage their credibility to influence companies effectively.

With most investment managers now having established stewardship capabilities, foundations are increasingly focused on the quality and effectiveness of engagement rather than whether it takes place. They want to understand not just how managers engage, but what outcomes they achieve.

As one foundation representative told us:

> **We don't want our managers to just focus on the activity; highlight what can be done. Focus on outcomes.**

Another interviewee observed that "there are a few too many woolly statements about stewardship," highlighting the need for evidence of measurable progress rather than broad commitments. Foundations should therefore ask for examples where engagement did not lead to sufficient change, resulting in the investment manager exiting a position. This can help them assess the credibility of the manager's escalation framework, how it is applied in practice, and ultimately how engagement informs investment decisions.

For many foundations, engagement is ultimately about alignment. As one interviewee noted, "We want to partner with fund managers that are aligned and will engage on our behalf. That's as important to us as their products." However, some also questioned whether engagement can sometimes become "an excuse to hold a company that shouldn't be held" highlighting the importance of a credible escalation framework.

Foundations increasingly expect managers to demonstrate how engagement aligns with their priorities and delivers transparent, measurable results. Ultimately, engagement is judged not by activity alone, but by the outcomes it achieves. Foundations should therefore look for managers that engage both independently and collaboratively, staying true to their investment priorities and client expectations while working with peers to raise standards. This requires managers to be willing to put their head above the parapet, remaining constructive in their conversations with companies without allowing geopolitical shifts to dilute their engagement.

Foundations have a unique understanding of the role collective action, persistence and expertise play in driving real-world change. Effective engagement is no different. Meaningful progress depends on asking the right questions, targeting efforts effectively, and recognising the value of both small actions and smaller actors. While progress and outcomes defines success, this should not be confused with quick wins as this can encourage box-ticking rather than genuine impact. As we've seen with our own engagement, delivering lasting impact requires patience and strong, constructive relationships with companies.



Cordelia Dower-Tylee

Engagement Lead
at EdenTree

Case Study: Transparency Drives Better Outcomes

John Ellerman Foundation

John Ellerman Foundation uses its influence as an asset owner to align its investments with its values while generating the returns needed to support and sustain its grantmaking activities.

At the heart of this approach is a commitment to transparency. As Sufina Ahmad MBE, Director of John Ellerman Foundation, explains:

> **We're very intentional about transparency because we believe it leads to accountability, which in turn leads to effectiveness.**

For John Ellerman Foundation, this means going beyond simply publishing its annual report and accounts. It publicly shares its investment strategy, details of its external managers and consultants, its engagement expectations, and the lessons learned through manager selection and engagement.

By clearly communicating its expectations, the foundation builds stronger relationships with investment managers and helps ensure engagement remains focused on delivering meaningful outcomes rather than simply demonstrating activity.

For the foundation, effective engagement is not determined by the size of an organisation's assets, but by the clarity of its expectations, the strength of its partnerships and its willingness to hold others accountable for delivering real-world impact. As Alice Thornton, Head of Impact, notes:

> **Change is possible. But it requires clients to be vocal, and to ask for that change to happen. Our experience shows that when you ask questions, make a clear case and persevere, you will find people who are willing to be responsive.**

Questions to Consider

Many foundations told us they are unsure what questions to ask their investment managers and can feel overwhelmed by detailed reports and lengthy meetings. There were also concerns about action versus rhetoric. As one foundation put it: "Are your managers really using their influence, or just saying they are?"

These seven questions can help focus the conversation and provide a clearer picture of how effective your investment manager's engagement activities really are.

1. What are your current engagement priorities, and how do they align with our foundation's values and objectives?
2. What evidence shows your engagement is making a difference?
3. How do you respond when progress stalls?
4. What role (if any) do you play in leading collaborative engagements?
5. How will you keep us updated on outcomes?
6. How do you link stewardship activities to align engagement and voting outcomes?
7. Can you share examples of where you have exited a position as a result of long-term failed engagement?

Risk

Risk, like impact, takes many forms. Just as every investment makes an impact, whether positive or negative, all investments carry some form of risk.

While several foundations highlighted market risk as central to many board-level discussions, particularly in the current macroeconomic environment, reputational risk emerged as the dominant concern across our conversations.

Many participants emphasised that investing in ways that align with organisational mission is itself a form of risk management. Transparency and good governance were repeatedly identified as critical, with one interviewee noting that "opacity is where risk arises," while another stressed that "good governance helps mitigate risk."

Reputational concerns were particularly prominent in relation to investment decisions. Foundations spoke of avoiding "headline risk" and recognised growing scrutiny of investments perceived to be misaligned with societal expectations. As one participant observed, "Even if you're not concerned about climate change, there is huge potential for reputational risk in certain areas of investment."

Some foundations highlighted that asset managers can ask open-ended questions about risk tolerance which "some trustees don't feel comfortable answering", while others reflected, "Charities don't take enough risk; we need to work out what we want and what our objectives are. The burden sits with us."

At the same time, some questioned whether foundations can be overly cautious. Sustainable and impact investing was seen as requiring greater clarity about organisational objectives and a willingness to take considered risks in pursuit of mission.

When the topic of risk arises, it often evokes a sense of unease. This is understandable, given that risk is commonly defined as 'a chance of danger, loss, injury, or other adverse consequences'. However, simply associating risk with negative outcomes is a generalisation and misconception. Within investment markets, risk can also create opportunities for positive outcomes when it is understood and managed effectively.

In the context of sustainable investing, trustees often focus on potential risk-return trade-offs. However, they should also consider the risks of inaction. Long-term trends such as climate change, biodiversity loss and the transition to a low-carbon economy are increasingly influencing investment performance. Ignoring them may leave portfolios exposed to future challenges and missed opportunities.

A practical starting point is for trustees to agree on their appetite for return, risk and impact, and to consider how sustainability factors support their investment objectives. By discussing these priorities with their investment manager, trustees can help build resilient portfolios that remain aligned with both their long-term goals and the charity's mission.



Tom Fitzgerald

Fund Manager at EdenTree & Investment Committee Member at GOSH Charity

Trade-offs

Trade-offs are part of investing, just as they are in everyday life. In essence, a trade-off is a decision that balances one benefit against another. For example, travelling by train instead of flying may reduce emissions and cost less, but it usually takes longer.

The same principle applies to sustainable investing. A foundation may choose to invest only in companies with lower carbon footprints and credible transition plans. While this can help align investments with its values and policy objectives, it may also mean excluding certain companies and reducing the investable universe.

Our conversations revealed an increasing interest in honest conversations about these trade-offs, and the perceived or real impact of exclusions on performance. **Rather than presenting sustainable investing as straightforward, foundations want greater transparency about the choices being made and their potential implications for returns.**

Balancing long-term sustainability risks with the financial returns that fund charitable activities is clearly front of mind.

These perspectives underline the need for candid conversations between asset managers and foundations about what is achievable, where trade-offs arise, and the practical challenges of implementation.

> **Be really honest about what's possible and what you can and can't do.**

> **There is a need for greater transparency in implementation. Sometimes it can feel less like a dialogue and more like being presented to. It would be helpful to highlight the challenges more openly. What is going to be difficult to deliver? What are the trade-offs?**

As one foundation observed:

> **If there are uninsurable sectors, there will also be uninvestable ones and this could lead to stranded assets. Your [foundations'] income generation could end because of the choices you are making now.**

At the same time, another noted:

> **Sacrificing returns means sacrificing student abilities.**

As one foundation representative told us:

> **It is not a case of whether we should go back into oil and gas but simply being explicit about the trade-offs. During periods of underperformance, [managers should] explain what has driven that outcome and whether exclusions have contributed to it, or not. Even if a period of underperformance can be attributed to an exclusion, we can at least recognise that we are accepting it as a trade-off to protect our reputation.**

We welcome the growing interest from foundations in understanding the impact of exclusions over longer timeframes. Our role is to support these conversations with transparency, evidence and analysis. While exclusions are often assumed to come at a performance cost, the reality can be more nuanced. By assessing the impact of common exclusions, such as oil, gas and coal, aerospace and defence, alcohol, and tobacco, over one, three and five years, as shown below, we can help foundations better understand the trade-offs involved and make more informed decisions. For many foundations, the question is not simply one of performance, but whether certain exposures align with their values and mission. Given the breadth of today's investment universe, it remains possible to build diversified portfolios and pursue strong long-term returns without compromising on those principles.



Carlota Esguevillas

Head of Sustainable Investment at EdenTree

MSCI ACWI: GICS Sectors	Benchmark Weight	Attribution Effect 1 Year	Attribution Effect 3 Years	Attribution Effect 5 Years
Oil & Gas	4.1%	-0.5%	0.6%	-1.6%
Aerospace & Defence	2.3%	0.2%	-0.3%	-0.5%
Automobile Manufacturers	1.7%	0.3%	0.6%	0.6%
Metals & Mining	2.1%	-0.5%	-0.3%	-0.4%
Tobacco	0.6%	0.1%	-0.1%	-0.1%
Alcohol	0.3%	0.1%	0.4%	0.4%
Passenger Airlines	0.1%	0.0%	0.0%	0.0%
Casinos & Gaming	0.1%	0.1%	0.2%	0.2%
Sustainability Excluded Sectors	11.3%	-0.2%	1.1%	-1.4%

Source: EdenTree as at 31/08/2026

Across these three topics, a consistent message emerged: foundations do not expect perfection, but they do expect openness. Many viewed these issues as complex governance challenges requiring clear decision-making and honest communication about the limitations and consequences of different approaches.

Insights From the Impact Investing Institute



Do it on Purpose: How Investors Shape the World Around Them

The author is a Senior Programme Manager at The Impact Investing Institute. The Institute is an independent non-profit organisation reshaping capital markets so that private finance reaches the challenges that matter most – the energy transition, regional economic growth and the prospects of future generations. We work with investors, policymakers, businesses and civil society to turn intent into practice, building the evidence, tools and conditions for a fairer, greener, more resilient future in the UK and globally.

Read more at impactinvest.org.uk.

Where money flows, and to whom, shapes the world around us. It sounds obvious. Yet all too often we forget that at the end of every investment committee meeting, once the debate about which fund to back is over, there are real companies, with real workers, delivering real goods and services into the world: a US tech company harvesting users' data, a wind farm in North Yorkshire generating renewable power, a bank in Japan issuing mortgages to homeowners.

Those companies grow, or they don't, depending on decisions made in investment committees every day, all over the world. That money has a real-world impact.

So the starting point isn't really "should we become an impact investor?" It's about having meaningful conversations about what role you want your capital to play in the world. Impact investing is one possible answer to that question. But it shouldn't be the first conversation.



The conversation to start with: why do you invest at all?

For a foundation, the answer is for the same reason you give grants, engage with policymakers, publish thought leadership or host events. For the same reason you're incorporated and registered with the Charity Commission. To deliver on your charitable objects.

Investing is just another mechanism. It's usually seen as a means to an end: make money, then give it away in grants. But that assumes the money is neutral until it's given away. It isn't. It's already invested in something, somewhere, right now, shaping real-world outcomes. It also treats grants as the only tool that can deliver your organisational purpose.

Neither is quite true.

Firstly, not every problem you care about is grant-shaped. We need grants for frontline services to people experiencing homelessness. We also need more affordable homes*, and for that you need investment. Same issue, different angles. Grants and investments are different tools. Treating only one of them as relevant to the impact you want to have is a choice.

So, how can we be deliberate about our impact?

The way that you have impact through grants is well understood; money out, impact in.

With investment capital, it can be a little less clear-cut. You are looking to deliver positive impact and generate the financial returns that sustain your organisation.

But there is a whole menu of ways your capital can drive positive, real-world change: from stewardship and engagement in public markets to direct investment in small social enterprises. Most foundations end up using a combination rather than a single approach.

There is no single gold standard, because every organisation is different. Some need to remain highly liquid. Others can lock up capital for years. Some sit in pooled funds, with little say over individual holdings. Others have much greater control over specific investments.

The good news is that the market has evolved significantly in recent years. There are now more options than ever before, meaning that organisations of almost any size or shape can begin to think about what role they want their capital to play.

*Source: https://england.shelter.org.uk/support_us/campaigns/social_housing/brick_by_brick_report_summary

Where do we start?

It starts with understanding what you own, and what your capital is already doing in the world.

I think of a foundation preparing to launch a new initiative on childhood mental health. Partway through, its director realised the endowment was invested in Meta, a company a US jury has since held liable for harming a young woman's mental health. The endowment was quietly pulling in one direction while the programme pulled in another.

That's the easier half of the work: understanding what you own and deciding where you're no longer willing for your money to be invested. The trick is finding investments that actively serve your aims, not just ones that avoid undermining them.

While in 2026 it is easier than it has ever been to invest for impact*, that doesn't mean it's a smooth journey. The best of intentions often collide with the messy reality of imperfect opportunities, competing objectives and real-world constraints. Finding a product that meets your mission and every other requirement is tricky. Finding a whole portfolio of them is rarer still.

None of that is unique to investing with impact in mind. Every investment approach involves trade-offs, assumptions and compromises. The difference is whether you've chosen yours deliberately.

Start small. Ask your managers or advisers what you hold, not just investment managers or fund names, but the underlying exposures. Ask what your existing policies already commit you to. Ask where your current investment approach could better reflect the changes you want to see in the world.

Those conversations tend to lead to others. Over time, organisations develop policies, invest in new products, restructure portfolios and build new relationships. Progress is not linear and rarely happens overnight. But it does happen.

If your capital already shapes outcomes, leaving your portfolio unchanged is a decision. It's just one made by default, rather than on purpose. So, make it on purpose.

*Source: https://thegiin.org/publication/research/state-of-the-market-2025-trends-performance-and-allocations/

Looking Ahead: The Future of Sustainable Investing



Looking Ahead: The Future of Sustainable Investing

To understand where sustainable investing is heading, it is important to understand where it began. The origins of sustainable investing lie in the ethical investing movement of the 1980s, when investors primarily focused on excluding sectors or companies based on moral considerations. While that remains part of the story, it is no longer the whole story.

Too often, sustainable investing is viewed as a process of limiting the investment universe through exclusions. In reality, its core purpose is identifying opportunity. It seeks out companies that are developing solutions to environmental and social challenges, managing risk effectively, and therefore ultimately delivering better risk-adjusted returns over time.

The investment rationale for sustainable investing has arguably never been stronger. While some effects are already being acutely felt, many of the challenges shaping society today will play out over decades rather than quarters. While politics and public sentiment may shift, the scientific evidence around climate change remains clear. Weather-related impacts are becoming more visible, while forest degradation, water scarcity, ocean acidification and breaches of planetary boundaries all point to structural shifts that will increasingly shape economies and markets. At its heart, sustainable investing is about taking a more holistic view of businesses, identifying those best placed to manage risk, adapt to change and capture long-term opportunities.

For endowments and foundations, that long-term perspective also reinforces the importance of diversification. As equity markets become increasingly concentrated in a small number of companies, particularly those associated with artificial intelligence, portfolio outcomes can become more dependent on a narrow set of factors. In this environment, active strategies can play an important role. Beyond providing diversification away from increasingly concentrated areas of the market, active managers can develop a deeper understanding of individual businesses and engage directly with management teams. For endowments and foundations, this creates greater transparency around how risks, opportunities and long-term progress are being assessed.

As someone who has invested in solution-oriented businesses for more than two decades, I believe that identifying businesses positioned to solve long-term challenges remains one of the most compelling investment opportunities available.

To return to the quote Andy referenced in his Foreword: **“This isn’t about doing good for good’s sake. There are businesses addressing systemic challenges… and these are the businesses we believe will succeed.”** This, ultimately, is what sustainable investing is all about.



Charlie Thomas,

Chief Investment Officer, EdenTree and Investment Committee member of the Royal Society

> **I’ve been an impact fund manager for more than 20 years.**
>
> **The investment rationale for sustainable investing is stronger today than at any point in my career.**

Conclusion

Our conversations revealed a sector that is diverse in its perspectives, ambitions and approaches, but united by a desire to better understand how investments can support long-term charitable objectives.

More than anything, we heard a call for openness: clearer language, greater transparency, and more honest conversations about outcomes, risks and trade-offs. Foundations are not looking for simple answers. Rather, they want investment managers who are willing to engage in thoughtful dialogue, explain decisions clearly, and provide confidence that capital is being stewarded in a way that reflects both their objectives and values.

It was also clear that sustainable and impact investing is a journey. Some organisations are taking their first steps, while others are exploring how a greater proportion of their assets can support their mission. What matters most is not where a foundation sits today, but that it has the confidence, information and support to make informed decisions about where it wants to go next.

As the sector continues to evolve, we see a clear opportunity for the investment industry to lean in, support endowments and foundations on their individual journeys, and work more collaboratively to address shared opportunities and challenges. Greater partnership between foundations, advisers and investment managers will be essential if capital is to play its fullest role in supporting long-term positive change.

Finally, we would like to extend our sincere thanks to everyone who contributed to this research. Their openness and willingness to share their perspectives made this report possible, and we hope it helps inform and strengthen conversations across the sector.

Helpful Resources

Whether you are just starting to explore sustainable and impact investing or looking to build on an existing approach, there are a number of useful resources available. The Impact Investing Institute's Learning Hub, the Endowments with Impact programme, and the Charity Investment Governance Principles Self-Assessment Tool provide practical guidance for organisations at different stages of their journey. EdenTree would also be happy to answer any questions or discuss your approach further.

A Different Kind of Business

EdenTree is an active investment manager dedicated to sustainable and impact investing – it's all we do. We have a 35+ year track record in this space, launching our first ethical fund in 1988. Uniquely, we are the only UK asset manager ultimately owned by a charity, giving 100% of distributable profits to good causes. Our mission is simple: invest for a better tomorrow. We're proud to be the first UK investment house to achieve full SDR labelling across our entire fund range. We've built a reputation for consistency and trust, having been awarded Moneyfacts' Best Ethical Investment Provider for the past 17 years.

BENEFACT GROUP

Benefact Group

We are proud to be part of the Benefact Group, an international family of specialist financial services businesses. We are united by a shared ambition to do right by our customers and clients, and by a common purpose to give all available profits to charity and good causes.

Across specialist insurance, broking, advisory and investment management, each business in the Benefact Group brings deep expertise in its field. Together, we provide sustainable and impact investment, protection for specialist and heritage assets, and trusted advice to individuals and organisations, while using the success of our business to deliver a positive impact for society.

BENEFACT TRUST

Benefact Trust

Being owned by a charity, Benefact Trust, places social purpose at the heart of our Group. Since 1972, the Trust has awarded over £330 million to organisations across the UK and Ireland, supporting initiatives that strengthen communities and address a range of social challenges. Its work is sustained by the Benefact Group, whose businesses contribute their available profits to the Trust.





3rd Largest Corporate Donor & Movement for Good

We are built on the belief that better business can improve lives. Benefact Group is one of the UK's leading corporate donors to good causes and has given over £275 million to charities since 2014. As a charity-owned group, it gives all available profits to good causes, supporting communities and organisations through initiatives including the Movement for Good awards.

*Directory of Social Change's UK Guides to Company Giving 2017-26

If you would like to learn more about EdenTree or discuss your organisation's needs, our charity team would be delighted to speak with you:



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Disclaimer

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