

Responsible Investment

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A story of evolution

Charities continue to adapt their investment strategies



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ESG IMPERATIVE PROJECT

Responsible investment continues to evolve

Tristan Blythe reviews the past year in responsible investment and finds a number of organisations changing as the world changes around them

OVER THE past year, there have been a number of developments in the responsible investment environment. Several organisations have made changes to reflect changing times and ensure that they are futureproofed.

Charities have often been seen as in the vanguard of responsible investors and it seems that there is still an appetite among supporters for this to remain the case. New research suggests that over a third of people are more likely to donate to a charity with sustainable investments. However, this proportion has declined over the past two years.

In response to a survey of over 4,000 adults, produced by Yonder for the sustainability network (a group of charities with an interest in embedding sustainability into their work) 36% said they would be more likely to donate to charities that “invest funds in environmental sustainability”, down from 45% two years earlier.

The environmental sustainability of a charity’s investments was also less likely than two years ago to affect survey respondents’ willingness to perform other charitable acts: just 22% said it would impact their likelihood to fundraise, down from 28%; 26% cited taking part in an event (down from 28%); and 23% said it would affect their willingness to volunteer (down from 26%).

A report based on the research conducted in December 2025, states: “The change likely reflects shifting priorities rather than declining belief, with cost-of-living concerns competing for attention. The positive effect has

weakened since 2023, especially for donations, potentially as cost-of-living pressures reshape consumer priorities.”

Most respondents (52%) said charities should consider sustainability but focus primarily on their core purpose. Just 5% of people said charities should not spend resources on environmental sustainability. Meanwhile, 12% of respondents said they had noticed charity communications about sustainability, indicating an information gap.

The charities behind the research are Alzheimer’s Research UK, Anthony Nolan, the British Heart Foundation, Cancer Research UK, Children’s Society, Comic Relief, Dog’s Trust, Guide Dogs, Macmillan Cancer Support, Mind, RSPCA and Versus Arthritis.

“ This means some defence companies will become investible ”

While not charity-specific, a recent survey of 100 asset owners by investment consultants Hyman Robertson (the results of which were published in March 2026) found that 81% said environmental, social and governance (ESG) is more important than two years ago. Only 10% said it was less important, while 9% said it had the same importance. Over half (67%) said they expected their asset managers to do more on responsible investment.

“TO DATE, THE RESPONSIBLE INVESTMENT COMMUNITY HAS GIVEN LIMITED ATTENTION TO DEFENCE COMPANIES”



Tristan Blythe
is editor of
Charity Finance

However, it was also acknowledged that this is an increasingly complex area, with 90% saying ESG considerations are becoming more complex. Just 2% said ESG considerations are not becoming more complex. Some 7% said the complexity has stayed the same.

DEFENCE INVESTMENT

One area that has become more complex is whether the defence sector has a place in a responsible investment approach. Traditionally classed as one of the so-called “sin stocks”, defence has largely been excluded by responsible investors. Russia’s invasion of Ukraine caused some to question whether this was the right approach – and the current ever-changing geopolitical situation has kept the debate alive.

One charity that has updated its restrictions policy for defence-related investments is the Church Commissioners for England, the Church of England’s permanent endowment fund. At the start of December 2025, it announced it had updated its policy “following recent guidance from the Ethical Investment Advisory Group and extensive internal discussions”. It said: “The key change is a shift from a flat revenue global threshold to a more nuanced assessment of what companies actually do.”

In a statement, the charity said: “In practice, this means some defence companies will become investible while others will become un-investible. For example, under the previous

policy, we could theoretically invest in a large company from an oppressive regime generating less than 10% of its revenue from offensive weapons, but not in a firm earning more than 10% from supplying protective personnel equipment to the Ministry of Defence. This approach now makes it harder to invest in companies linked to oppressive regimes while enabling responsible investment in NATO and UK defence-related business.

“All investments – including potential investments in defence-related companies – are subject to our existing ethical investment policies covering human rights, climate change, nature, and labour rights.

“Companies involved in controversial weapons (such as cluster bombs, landmines, chemical and biological weapons) remain strictly excluded. All potential investments will be screened for controversies and for links to oppressive regimes. The bar to investing in defence businesses will remain high.

“This update doesn’t represent a loosening of restrictions, but rather a sharpening of the criteria we use to evaluate potential investments – the aim being to ensure a more rational, responsible approach aligned with our human rights policy and focused on ethical business conduct.”

The Church Commissioners for England is also one of the organisations behind the current project to draft Guidance for Responsible Investment for Defence related companies (GRID). The charity is one of a group of investment firms, investors groups and other interested parties (including another charity – the EIRIS Foundation – which promotes sustainable finance) that is aiming to establish this.

In a concept note published in November 2025 to launch the project and encourage feedback, the group said there was “an urgent need” for such principles.

“The development of these principles has become necessary for several reasons: a growing push by states to increase investment in the defence sector in response to increased geopolitical tension; the evolving and increasingly fluid definition of what constitutes a defence investment, with

major technology firms and startups increasingly engaging in defence-related activities; and the challenge of demonstrating responsible business conduct in a sector whose products and services are often used in armed conflict, whose clients are frequently domestic or foreign governments and where the system itself shields the sector from rigorous investor scrutiny.”

The paper explains: “For the purposes of this paper, ‘defence-related’ includes companies in the broader ecosystem of commercial activities that are linked to the defence sector, eg communications systems, artificial intelligence and cybersecurity, alongside traditional defence companies. In terms of weapons, this paper envisages conventional, nuclear, controversial and emergent weapons, systems and platforms falling into the scope of the principles, as well as dual use and defence-tech equipment.”

The paper notes the recent trend for defence stocks being bought by responsible investors, but also highlights there are currently risks in this approach.

“It supports the potential for responsible investment in defence”

“Since the full-scale invasion of Ukraine in 2022, several investors have relaxed or removed historic restrictions on conventional defence companies,” it says. “Those investors are largely also part of initiatives, such as the Principles for Responsible Investment (PRI) and therefore committed to ‘RI’, while also choosing to allocate capital to defence-related companies. Whatever the reasons for investing in defence (eg benefiting from growth in the industry, following government direction, responding to client demand or wishing to support domestic security), investors need to implement approaches that are appropriate for defence-related companies, and which address the specific risks and dilemmas related to the sector.

“To date, the RI community has given limited attention to defence companies, particularly regarding

the downstream sale and use of their products and services. This is partly due to the sector’s elevated risks – such as human rights violations, corruption and environmental harm – which investors have often avoided through exclusions and the reliance on export controls, and partly due to the nature of the industry in terms of its unique relationship with government. Recent initiatives, such as the UK Defence ESG Charter, focus primarily on operations and supply chain ESG/sustainability issues and while it touches on the risks of end-users, human rights due diligence or connections to breaches of international humanitarian law are not discussed. The US Defence Industry Initiative on Business Ethics and Conduct (DII Principles), last updated in 2010, focuses heavily on things like supplier codes of conduct, anti-bribery and corruption, and rules for selling to government, but the end-use of products and services don’t appear to feature. It can be argued that the industry, due to its relationship with government and export controls, has a shortened view of its own responsibilities, but investors need to look deeper into the downstream value chain to manage their own financial, human rights, reputational and legal risks.”

The group argues that the development of these principles will help responsible investors “navigate the complexity and mitigate the financial, reputational, legal and human rights risks”. It expects the principles to be published after April this year.

However, the note also points out that is not advocating that all responsible investors decide to include defence stocks in their investment portfolios. “This initiative won’t try to reconcile the irreconcilable given the diversity of investor perspectives,” it says. “It recognises the legitimacy of choosing not to invest in defence-related companies, and at the same time supports the potential for investors to invest responsibly in defence-related companies within an appropriate framework.”

Last month, it was announced that consultation drafts of the guidelines are expected to be published in ▶ p28

INTERVIEW L&G

Driving accountability and value through stewardship



An interview with
Jeannette Andrews
 Director, Investment
 Stewardship

For some, it might seem that global stewardship initiatives have been on hold for the last year, but behind the scenes there has been a great deal of activity, particularly in Europe. From the beginning of this year, the reviewed UK Stewardship Code 2026 came into effect; the Issuer and Investor Forum produced a new charter and report; and the Investment Association (IA) published its Realigning Stewardship report in February.

As Deputy Chair of the IA Stewardship Committee, Jeannette Andrews will play a key role in implementing the report's recommendations and in shaping the continued evolution of L&G's stewardship and engagement strategies.

“Clients are no longer satisfied with activity metrics alone”

“What may appear externally as a pause in momentum is a period of significant evolution – one that is reshaping how stewardship is defined, delivered and measured,” says Andrews. “At the heart of this shift is a move away from activity-based reporting towards a clearer articulation of outcomes, grounded in financial materiality and long-term value creation.

“We mustn't forget our core business is to create and protect value for investors, and we believe stewardship is critical to the ecosystem of efficient capital markets. It is how we hold public companies accountable.”

FROM TRANSPARENCY TO INSIGHT

Over recent years, transparency in stewardship has increased dramatically. Asset managers now disclose far more about their engagement activities, voting records,

and ESG assessments than ever before. This expansion of disclosure has created a new challenge: distinguishing between information that is merely available and information that is genuinely useful. “Our response is to prioritise outcome-oriented reporting over input-oriented reporting,” says Andrews. “Rather than simply listing the number of engagements conducted or votes cast, the focus is shifting to the impact of those actions – what has changed, and how that contributes to long-term financial returns.”

This “so what?” factor is becoming central. Clients are no longer satisfied with activity metrics alone; they want evidence of change.

STEWARDSHIP AS A VALUE DRIVER

L&G's stewardship strategy is anchored in the belief that effective engagement is a source of both value creation and value protection. This is particularly important for long-term, diversified investors, who are exposed to systemic risks across the entire market.

Issues such as climate change, biodiversity loss, and even antibiotic resistance are not isolated concerns; they are financially material risks that can affect entire portfolios. Addressing them requires more than company-by-company engagement; it requires coordinated action across the broader ecosystem, including policymakers and regulators.

“In the past, stewardship efforts were often focused on establishing basic transparency, encouraging companies to disclose carbon emissions or governance structures,” says Andrews. “The challenge now is deeper: using that information to drive meaningful change and value. Engagement must demonstrate why addressing these issues is not only socially desirable, but commercially advantageous for companies to address.”

FAST FACTS

5th largest charity manager*

£7.8bn** of charity assets

*5th largest manager of charities' long-term assets. www.civilsociety.co.uk
 ** Source L&G internal data as at 31 December 2025

A SOPHISTICATED TRANSITION

This evolution marks a transition into a more sophisticated phase of stewardship. It requires greater expertise, more nuanced analysis, and a clearer link between ESG factors and financial performance.

“We emphasise that stewardship is no longer about broad principles alone,” says Andrews. “It is about detailed, informed conversations with companies and holding them accountable for how they manage risks and opportunities that are material to long-term investors. This includes scrutinising governance structures, assessing transition plans, and challenging companies on their strategic direction.”

At the same time, stewardship must remain a collective endeavour. Collective engagement – where asset managers act together – may amplify the investor voice and help address systemic challenges. Initiatives such as the Net Zero Asset Managers initiative exemplify this approach, signalling a shared commitment to tackling climate risk at scale, even as regulatory clarity continues to evolve across different markets.

ALIGNING THE INVESTMENT CHAIN

A defining feature of L&G’s approach is its emphasis on the entire investment chain. “As an asset manager, we sit between clients and the companies in which we invest,” says Andrews. “This role carries a responsibility to connect priorities across all stakeholders, from end beneficiaries to corporate boards.

“Our stewardship strategy is therefore built on dialogue. It seeks to bring clients into the process, understanding their priorities and integrating these into engagement activities.” This is particularly evident among charity clients, which have consistently demonstrated strong support for responsible investment and stewardship.

Importantly, these clients are becoming more exacting. “There is now a clear expectation for deeper insight, ongoing progress tracking, and tangible evidence of impact,” Andrews explains. “This has driven us to enhance both our reporting and engagement practices.”

To meet these expectations, L&G continues to expand its reporting capabilities. This includes publishing detailed ESG assessments and climate transition plan evaluations for individual companies, using a clear “traffic light” system so clients can quickly assess performance against minimum standards.

“In addition, we have invested in fund-level reporting that links engagement activity directly to client portfolios,” Andrews adds. “This allows clients to understand not just what engagement is taking place, but how it relates to their specific investments.”

The aim is twofold: to demonstrate the value of stewardship and to make reporting as usable and useful as possible. Providing consistent, accessible data helps charities communicate effectively with a range of stakeholders, from trustees to donors.



WHAT WE DO

L&G’s Asset Management business is a major global investor across public and private markets, with £1.2trn in AUM.*

Our clients include individual savers, pension scheme members and global institutions, who invest alongside L&G’s own balance sheet. Our investment philosophy and processes are focused on creating value over the long term.

*Source: L&G internal data as at 31 December 2025. The AUM disclosed aggregates the assets managed by L&G in the UK, L&G – Asset Management, America in the US, and Hong Kong (2018-2019 only) and Singapore from July 2023. Excludes assets managed by associates (Pemberton, NTR, BTR).

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June with the final version published in the fourth quarter of this year.

THE ENVIRONMENT

One area where there is more agreement on its inclusion in a responsible investment approach is the environment. However, as covered in this supplement last year, there has been a fear of the investment industry pushing back on this area. One manifestation of this was the suspension of the Net Zero Asset Managers (NZAM) initiative, following a number of investment firms leaving it, as it launched a review to ensure it was fit for purpose.

In October 2025, NZAM announced its return and published a new commitment statement, which was signed by more than 250 asset managers at launch.

NZAM provides asset managers with a platform to publicly disclose their individual net-zero commitments and implementation approaches. Signatories independently set targets, develop their own strategies, and report annually on progress.

“Asset managers participating in NZAM send a strong signal to clients, regulators, and other key stakeholders that they’re forward-looking, transparent investors, committed to managing climate-related financial risk and opportunity,” said Rebecca Mikula-Wright, chair of NZAM’s steering committee.

She added: “Since its inception, NZAM has helped improve market transparency and increase alignment between asset managers and their clients’ expectations. The strong participation in today’s relaunch reflects the value NZAM signatories find in having a credible platform to demonstrate to their clients how they’re addressing climate-related financial risks and capturing transition opportunities.

“We look forward to continuing our support for this vital platform, which enables asset managers to respond to evolving client expectations and meet their fiduciary responsibilities in a rapidly changing regulatory and market environment.”

A NEW STRATEGY

Another responsible investment

organisation that has had a refresh is ShareAction, a charity that works to “define the highest standards for responsible investment and to drive change until these standards are adopted worldwide”. In February, it published its new five-year strategy for 2026 to 2031.

In a blog, Catherine Howarth, ShareAction’s CEO, wrote that the new strategy was needed as, although progress had been made, there has been some backwards steps in recent times.

“Over the past two decades, ShareAction has helped shift responsible investment from the margins towards the mainstream,” Howarth said. “We’ve worked with investors, policymakers and civil society to show that finance can and must serve people and planet.

“But the limits of progress built largely on voluntary leadership are now clear. In recent years, we’ve seen sustainability initiatives rolled back, shareholder rights weakened, and legal uncertainty used to deter ambition. Gains that once looked secure have proved more fragile than many assumed.”

“ The limits of progress built largely on voluntary leadership are clear ”

As a result, the charity is making three strategic shifts in the next five years, she explained.

“First, from relying primarily on voluntary leadership to securing durable rules and active regulation. Voluntary initiatives have shown what is possible and will continue to play a role in defining best practice. Over this coming period, we’re choosing to put greater weight behind policy reform, regulatory clarity and robust enforcement to embed standards across the system.

“Second, from engaging actors across markets to holding pension funds to account as system leaders. Asset owners – especially pension funds – sit at the apex of the investment system. They manage the long-term savings of millions

of working people. We’ll both support and challenge asset owners to lead: raising standards, defending shareholder rights and clarifying fiduciary duties so that impacts on people and planet are taken as seriously as financial risk and return.

“Third, from assuming legitimacy to actively building it. Responsible investment won’t endure if it is, or is seen to be, technocratic or elite. We’ll invest in growing people’s power – enabling savers, workers and communities to understand how investment decisions affect their lives and to influence those decisions in meaningful ways.”

There are also four new strategic objectives for the organisation, namely: defending and promoting strong laws; raising the bar for responsible investment through investor leadership; demonstrating how investor power can change corporate behaviour for the better; and growing and showing the power of people and communities to hold institutions to account. To meet these objectives, ShareAction is creating a set of programmes that “integrate investor leadership, strong laws, responsible business and people’s power”.

Howarth continued: “Two programmes concentrate on the investment system itself. Our Responsible Investment Standards programme will define and advocate for best practice, defend shareholder rights, clarify investor duties in law and practice, and benchmark performance.

“Our Workers’ Capital, Workers’ Voices programme will pilot new methods to engage pension savers and support them to influence how their money is invested.

“Alongside this, we’ll drive tangible change across key sectors and themes where investment decisions shape outcomes for people and planet: the energy transition, the food system transition, and health. Building on our existing climate and public health work, we’ll focus more deliberately on intersections between them, for example in the food that we eat and the air that we breathe.

“Across all programmes, pension funds remain a central point of leverage. But change won’t be delivered by any one actor alone.”

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INTERVIEW BARCLAYS PRIVATE BANK

Why responsible investing still matters in a polarised world



An interview with
Mitali Sarang
 Director, Responsible
 Investment, Barclays
 Private Bank

The last few years have been a perfect storm of geopolitical uncertainty. However, when societies are divided by politics, inequality and climate concerns, investors can help drive positive change by supporting companies that act responsibly and sustainably.

As part of the responsible investing team within Barclays Private Bank, Mitali Sarang's position has evolved since she joined four years ago. From being instrumental in the creation of the Barclays Private Bank's responsible investing policy for its Discretionary Portfolio Management business to enhancements to environmental social and governance integration in client portfolios, Sarang's focus has been the commercialisation of sustainable initiatives and communicating the benefits of this strategy to clients.

“ Clear accountability is key for our clients ”

Increased scrutiny

“Responsible investing is operating in an extremely polarised and a progressively complex environment,” says Sarang. “Geopolitical headwinds have intensified scrutiny around responsible investing, particularly while regulatory expectations and client demand for transparency continue to evolve.

“Maintaining a disciplined and a well-governed approach to sustainability has become increasingly important, and so a central part of the responsible investing team is to support our sustainable portfolio managers in making investment decisions that deliver positive, long-term outcomes for our clients.”

To achieve this, Sarang says Barclays Private Bank focuses on a two-pronged approach: “Increasingly, we are seeing that clients want to understand not just

the principles behind what we do within responsible investing, but also how these translate into real portfolio outcomes. By combining data research and ongoing monitoring, we aim to provide the transparency our clients demand, while highlighting how this influences investment returns.”

The second strand involves maintaining credible independence. “We provide an independent perspective so that these sustainability considerations are applied robustly and aligned with client expectations.”

Continuing corporate stewardship

The responsible exercise of ownership is a core part of Barclays Private Bank's sustainable investment approach. “Through engagement and voting, we encourage companies to strengthen their governance, improve disclosure, and manage risks more effectively.”

Recent political changes have contributed to a more challenging landscape, adds Sarang, and that has implications for how investors in general approach stewardship. “We believe that political developments can influence corporate behaviour indirectly through regulation, public discourse and stakeholder expectations. In practical terms, this hasn't reduced the importance of stewardship, but it has changed the context in which the engagement can take place.

“Some companies are becoming more cautious in how they communicate on certain topics, while others are focused more explicitly on the financial materiality of issues. For their part, investors are increasingly placing emphasis on the economic rationale and risk management when discussing these measures.”

FAST FACTS

£228bn in client assets and liabilities and manages £40bn in discretionary portfolios*

Over £3bn AUM for charity and not-for-profit clients*

*As of 31 December 2025 across Barclays Private Bank and Wealth Management

Robust analysis

For our investee companies to maintain sustainable practices, analysis and stewardship must be robust. Sarang cites one example that illustrates Barclays Private Bank's commitment to responsible investing within client portfolios. "Sometimes a company's formal policy doesn't match its purported sustainable practices. A case in point involved an agricultural equipment company where our analysis identified a potential deforestation risk. Although legal standards were met, the company lacked proactive controls, particularly in sensitive regions. We identified a gap between policy and practice that could expose the business to reputation and regulatory risks.

“ A focus on diligence gives clients confidence ”

"Ultimately, the uncertainty around how these risks were managed by the company meant it didn't meet the criteria required for inclusion in our sustainable portfolios, so we didn't invest."

This focus on diligence gives clients confidence in the sustainability credentials of their portfolios, says Sarang. However, clients approach responsible investing from different starting points, so have different priorities. She explains: "Some are primarily motivated by alignment with organisational values or mission, which is often the case with charities and foundations, while others are more focused on financial risk management. In many situations, these objectives overlap, so our role is to provide robust analysis and transparency so that clients can make informed decisions consistent with their priorities."

Even in a more polarised public environment, investment objectives themselves tend to remain consistent, adds Sarang. "We share the same fundamental goal as our clients – to preserve and grow their capital across economic cycles – and responsible investing supports that objective. We navigate these different perspectives among clients and provide them with the transparency that helps them make informed decisions.



WHAT WE DO

Barclays Private Bank provides a full suite of specialist investment, banking and lending services – backed by 330 years of Barclays Group experience. Our dedicated charities and not-for-profits team takes the time to understand your unique requirements, and creates bespoke solutions that meet your financial goals and align to your values. Visit us at privatebank.barclays.com/charities.

Investments can fall as well as rise in value. Your capital may be at risk.

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Howarth also recognised that partnership will be “critical” if ShareAction is to meet its objectives. “We’ll deepen collaboration with campaigners, trade unions, community organisations and youth movements. We’ll continue to engage constructively with investors across the world who are willing to lead. We’ll work with policymakers to craft durable and effective rules. And we’ll seek long-term funding partnerships that allow us to operate at the scale this moment demands.”

ESG RATINGS PROVIDERS

Of course, even if standards increase, it is important that those claiming to provide responsible investment services are held to account. Many investors use ESG ratings providers to judge a company, product or fund’s performance across a range of ESG factors. However, concerns have been raised about how reliable and robust these ratings providers are.

In an attempt to end these concerns and hold ESG ratings providers to greater accountability, in October 2025, the government moved to bring

them under the remit of the Financial Conduct Authority (FCA), the financial sector’s regulator. In December 2025, the FCA published proposals on its approach to regulating these providers, with the aim of ensuring ESG ratings are “transparent, reliable and comparable”. Research by the FCA suggests that around half of those who use ESG ratings are worried about how they are built (55%) and how transparent they are (48%).

“ The proposals will give those who use ESG ratings greater trust ”

The proposals aim to address this and focus on four areas:

- Increased transparency – allowing easier comparisons for the benefit of both those who use ratings and are rated.
- Improved governance, systems and controls – to ensure clear decision-making and strong oversight and quality assurance.

- Identification and management of conflicts of interest.
 - Setting clear expectations for stakeholder engagement and complaints handling.
- “Our proposals will give those who use ESG ratings greater trust and confidence – supporting our goal of increasing trust and transparency in sustainable finance,” said Sacha Sadan, director of sustainable finance at the FCA. “This will enhance the UK’s reputation as a global sustainable finance hub – attracting investment and supporting growth and innovation.”

A consultation on the proposals closed at the end of March and the FCA expects to publish its final rules in the fourth quarter of this year. The new regime will come into effect from June 2028.

Despite all these changes, charities are well-placed to continue to lead in this area. While there may not be a one-size-fits-all approach and each charity will have its own red lines, a great many will want to keep abreast of developments and best practice in responsible investment. ●

Taking the responsible approach with pensions

If a charity is taking a responsible approach with its investment portfolio or endowment, then it would seem logical that it looks at the investments within its pension scheme – an area where there has been recent developments.

For example, Nest, which last month’s Charity Finance Pensions Survey revealed was the single most used pensions provider among respondents, has updated its voting policy to make clear that it may vote against the board chair where a company has materially scaled back its climate strategy without adequate explanation.

Nest said that it aims for the move to create “constructive dialogue with companies and provide greater certainty about how it will exercise its voting rights. As a long-term investor, Nest sees clear governance and accountability

as central to effective stewardship.”

Diandra Soobiah, director of responsible investment at Nest, said: “This policy update builds on our existing approach. We’ve engaged – and where necessary, voted against – companies that weaken their climate plans and don’t provide adequate transparency to shareholders. We also expect companies to put material changes to their climate strategy or transition plan to a shareholder vote.

“We believe being explicit about how we evaluate these issues supports constructive dialogue with companies. Clearer guidance gives boards greater certainty about how we’ll approach our voting decisions.”

In addition, in February 2026, Nest began the “procurement for an ethical equity mandate, inviting managers with proven investment discipline, integration of ethical criteria, and rigorous active ownership credentials

to propose diversified global solutions”. The deadline for receipt of tenders was 13 March 2026. At the time of writing, the result was unknown.

Meanwhile, in December 2025, People’s Pension published its first-ever Responsible Investment Report. “The scheme set new targets for investment-grade corporate bonds that align with its long-term target of net-zero greenhouse gas (GHG) emissions by 2050,” the report says. “These new targets are a 30% reduction in GHG emissions intensity by 2025 and a 50% reduction in GHG emissions intensity by 2030, measured against a 2023 baseline. These targets are embedded within the contractual language of the investment management agreement with Invesco, the scheme’s new fixed income asset manager.”



M&G Charity Multi Asset Fund

For those with more to care for

Now more than ever it's vital for charities of all sizes to secure their long-term financial future. That's why M&G Charity Multi Asset Fund offers a diversified portfolio, built to target both long-term returns, and a strong, regular income stream. Our expert fund managers are helping over 5,000 charities and foundations across the UK invest in their future. Why not join them?

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The value and income from a fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise and you may get back less than you originally invested.

Q&A CCLA

Using cash deposits as a stewardship lever



An interview with
Tessa Younger
Better Environment Lead

Why look at cash deposits as part of stewardship?

Cash stewardship is a natural extension of how we invest on behalf of clients. Our cash funds invest with financial institutions, and while that does not give us shareholder rights, it does create a client relationship that can support engagement. For charity treasurers, that means cash management can also include an element of responsible oversight.

The starting point was straightforward. Stewardship can reflect a fuller range of relationships through which we invest on behalf of clients, and for engagement with banks and financial institutions, the cash funds were the place to look.

We have already engaged with banks for several years where they were held in portfolios. But looking at our cash funds, it was clear that these relationships also provided a broader route into dialogue. We have a limited number of financial institutions in portfolios, so there is restricted scope for engagement just through holdings. In contrast, our cash funds rely on a much larger approved list of counterparties.

“Cash deposits give you some level of influence”

So, we decided to extend this work to the listed institutions on that approved list. That meant starting engagement with around 40 financial institutions used, or eligible for use, by our cash team.

The logic is that cash deposits give you some level of influence with the institution and can open doors to conversations. If a bank is taking your deposits, it is reasonable to ask how it is approaching climate-related risks and whether its financing practices are moving in the right direction.

How can you influence a bank without owning shares?

Having funds deposited with a bank is a different form of influence from share ownership, but it is still a meaningful avenue. If you place deposits with a bank, you are a client and a source of funding. That gives you a basis for asking questions and expecting a response. In practice, that means writing to the bank, sharing your assessment, asking for a meeting and pressing them on areas where policy or practice appears weak.

As you are not necessarily acting in the position of a shareholder, there is not the same relationship with the financial institution, so we wouldn't overstate the leverage. However, it does provide access. It gives an opening to ask how climate considerations are feeding into financing decisions, whether or how fossil fuel expansion is being restricted in practice, and to get a sense of whether the bank's policies are tightening or loosening over time.

For charities, that matters because cash management is often treated as purely operational. But viewed as an opportunity, it can offer a starting point for dialogue. Even without being a shareholder, you can still ask where your money sits and what activities that institution is helping to finance.

FAST FACTS

No. 1 investment manager of UK charities*

£14.9bn in assets under management**

60+ years of Good Investment

£16tn of assets supporting CCLA initiatives in mental health and modern slavery**

190 team of staff**

Early signatory (2007) to Principles for Responsible Investment (PRI)**

5★ rated by PRI for listed equities**

*By number of charities. Charity Finance Fund Management Survey 2025
**CCLA: Internal research as at January 2026

What does your approach look like in practice?

In practice, we assess the listed banks on our approved counterparty list, identify where we have concerns, and then aim to speak to them directly.

For climate, one area we focus on is fossil fuel expansion. We use external research, including coal and oil and gas policy trackers published by Reclaim Finance, to understand where bank policies appear stronger and where the gaps are. We then write to the banks, explain our assessment and ask for a discussion.

Those discussions are about getting beyond headline statements. We want to understand how policy works in practice. For example, does the bank restrict finance for new oil and gas expansion only at project level, or also at company level? How does it treat LNG (liquid natural gas) and midstream infrastructure? How does it assess whether a client's transition plan is credible? And does climate analysis actually feed into credit decisions?

Our discussion with a French bank was useful in this respect. It illustrated some of the stronger practice emerging in this area. What stood out was not just the policy wording, but the fact that climate analysis was embedded into the annual credit review process and supported by internal tools and governance. That doesn't mean there are no gaps, but it did give us a clearer sense of what more developed practice looks like.

“ We would like to see clearer disclosure ”

Why focus on fossil fuel expansion finance?

Because this is a very clear way to test the credibility of a bank's climate approach. Leading institutions, including the International Energy Agency have said that no new fossil fuel extraction is needed if the world is to meet energy demand in line with climate goals. In this context, continued financing of expansion activities is difficult to reconcile with a serious climate strategy.

Banks matter here because they have a crucial role in what gets financed, whether through loans, bond issuance or other forms of support. So, if you want to understand whether the financial system is supporting the transition, this is an obvious place to look at more closely.

It is also an area where broad commitments can hide important differences. A bank may have a general climate ambition but still allow support for companies or projects expanding oil and gas production or infrastructure. Focusing on expansion helps cut through that. It's a practical test, and one that is closely tied to actual outcomes.

What would you count as progress over the next year?

At this stage, progress is likely to be modest, but it can still be meaningful.

First: continued engagement and serious dialogue. We wrote to 40 institutions in October last year, and by year end had received 12 responses and held six meetings. The meetings have been useful in understanding the banks' overall approach. Having time to explore in more depth how the policies are implemented in practice clarifies the rigour of their approach and how they intend to strengthen this implementation, so there is a lot to learn from direct discussion.

Second: better transparency. We would like to see clearer disclosure on how policies apply to coal, oil and gas expansion, especially where banks rely on case-by-case client assessment rather than exclusions.

Third: more consistent practice over time. That could mean more rigorous restrictions, fewer loopholes, or clearer evidence that climate considerations are feeding into credit review and financing decisions.

And in the current environment, I would add one more thing: no backsliding. Several banks have weakened climate commitments or targets recently. Bearing this in mind, simply holding the line would put the bank among the better performers.

As we are only a few months into these engagements, it would not be realistic to claim any major policy shifts. But better dialogue, improving transparency and staying on a clear course would all be positive indicators.

CCLA

GOOD INVESTMENT

WHAT WE DO

Firmly believing that healthy financial markets depend on healthy communities, CCLA has a long track-record of instigating change for a better world with its pioneering work on climate, modern slavery and mental health.

Founded in 1958, CCLA is authorised and regulated by the Financial Conduct Authority.

Using our endowment to do more for our mission

The Vivensa Foundation is on a journey when it comes to its impact-conscious investment practices. Becca Perl reflects on the progress

CHANGING OUR name from the Dunhill Medical Trust to the Vivensa Foundation in April 2025 is not the only significant change we've made in recent years. We've taken major steps as an organisation when it comes to our investment practices. Like many trusts and foundations, for a long time our focus was solely on how our grant funds were being distributed (approximately £5m annually), and not on how those funds were being generated. As our chief investment officer, Andrew Gnaneswaran, explains: "We weren't necessarily scrutinising our £180m portfolio and the sources of financial returns – and we certainly weren't leveraging our entire endowment in ways that'd enable us to do more for our mission."

Carl Jung famously said: "You're what you do, not what you say you'll do." Many trusts and foundations want to move forward to become impact-intentional investors but are stuck at the discussion stage. There are lots of different interpretations of what the term "impact investing" means, which doesn't necessarily help anyone to move past the inactivity.

We realised that the best thing we could do was to stop talking and start doing. We created a new investment policy and developed a values-based framework for investment. While measurement across a multi-asset class portfolio is complex and we aren't claiming to have got it 100% right, we have at least got over the worst part: getting started. People are generally very interested to find out what we put in place, how we went about it and what

we learned along the way. By sharing some of our process, we hope to help others progress their ideas too.

MOVING FROM IMPACT TO VALUES

As a mission-driven organisation, we feel that traditional investment approaches based only on risk and return criteria don't work for us. At worst, it can result in investments reinforcing existing social and health inequalities – effectively working against our mission. So, within our revised investment policy (<https://bit.ly/4t54lmu>), we decided to outline three objectives that need to be considered when making investment decisions: impact, risk and return.

“ We place a lot of importance on our key values ”

Initially, we were looking to assess the impact of our investment portfolio in relation to our mission of funding the remarkable science and radical social change needed for people in the UK to age well. However, measuring impact in a consistent and robust manner presented a significant challenge – particularly across a broad portfolio of over 2,000 underlying companies which cover a variety of sectors, business models and geographical areas. While it might be possible to assess the impact of a regional healthcare delivery

“TO START, WE WORKED THROUGH OUR KEY VALUES AND DESCRIBED WHAT THEY MEAN IN AN INVESTMENT CONTEXT”



Becca Perl is senior engagement and communications manager at the Vivensa Foundation

provider, trying to do the same for a global technology firm wouldn't be feasible. So, we decided to move from seeking to understand the impact of the investments in our portfolio, to building a values-aligned framework.

As an organisation, we place a lot of importance on our key values of being responsive, inclusive, trustworthy, long-term thinkers, collaborative and impact-intentional. Although we expect our partners and award-holders to uphold these values, this alignment of key values didn't extend to the asset managers we work with, and their underlying portfolio companies. We wanted to find a way to change that.

DEVELOPING A VALUES-BASED FRAMEWORK

To start, we worked through our key values and described what they mean in an investment context. Then, we looked at how we might assess them, finding proxies to indicate a particular value or behaviour. For example, one of our key values is inclusivity. So, we'd expect an investment partner to be able to articulate how they include a wide variety of views within decision-making processes – potentially best reflected through diverse senior management and leadership teams.

Initially, we thought about conducting this exercise in-house, but as the scale of the project became clear, we sought to bring in the expertise of a third party. We needed help both to design the framework and collect the metrics needed to perform the assessment. We chose to partner with Tribe Impact Capital,

due to its access to relevant data sources and willingness to think through the challenge with us.

We considered several different framework options, from using self-reported assessments from investment managers, to commissioning third-party providers to collect independently sourced data. We ended up taking a hybrid approach for both cost and complexity reasons. We obtained self-reported assessments at asset manager level, but at portfolio company level we utilised publicly available data sets to get a more robust picture.

The survey asked our fund managers 100+ questions, and their responses were analysed to assess their alignment to values. At the portfolio company level, we picked nearly 400 data points from nine different data providers. We ultimately distilled that down to 20 metrics, which were used to inform the scoring of each company within our portfolio. The scoring was then weighted according to the relative size of the position within the fund. For example, an asset manager might be invested in an ethical, well-aligned company but if it only represented 1% of their portfolio, it wouldn't have much influence on the overall scoring.

This exercise was incredibly difficult due to the paucity of reliable data, but we needed a place to start. Ultimately, there were aspects we had to compromise on. For example, we were unable to get data around the diversity of leadership teams and decision-makers at a portfolio company level. Instead, we had to resort to measuring gender balance at board level as a proxy measure for the value of inclusivity.

While lack of data made it challenging, the ambition is that by asking for the data – and repeating those asks over time – asset managers would understand the importance placed on these values. By clearly enunciating our beliefs, intentions and expectations, we hope to demonstrate ownership and responsibility over the investments we hold. Ganeswaran says: "Foundations might only have a small voice in the vast investment world, but we have voices nonetheless. It's important to know, own and communicate our beliefs clearly."

USING THE ANALYSIS TO INFORM DECISION-MAKING

The initial output of the exercise was a scoring of each our fund investments and an assignment into one of three categories: misaligned, neutral or aligned. This gave us a helpful baseline to inform and influence some of the changes required to our portfolio – including our decision to divest from Artisan (due to the fund's exposure to fossil fuel companies) and BlackRock (due to the manager reneging on its climate change commitments).

The whole process of creating a values-based framework for investment has enabled us to articulate our ambitions more clearly, and in a way that's meaningful to trustees who aren't necessarily investment experts. It's allowed us to explore how we might think about the impact of our investment portfolio, from a perspective that's broader than our mission. It's also helped provide greater transparency around the underlying positions within our investment portfolio and ultimately the types of businesses and activities our investment capital is being used to finance.

“ The path that we're on isn't linear and doesn't stop here ”

SOCIAL INVESTMENT

We know we can't address the most pressing challenges to ageing well through grantmaking alone. That's why in 2021 we ringfenced £5m for social investments, as an opportunity to pilot bold ideas that might not always be able to access mainstream sources of finance, and for us to learn as we go. Our social investment policy provides a mandate to take risk in pursuit of our mission, and while we hope to maximise the amount of capital returned for reinvestment, we understand that things may not always turn out as anticipated.

Since 2022, we have made five social investments across funds and direct ventures – all of which seek to support our mission in various ways. These include an investment in BelleVie –

an award-winning, people-powered, tech-enabled home care provider. Inspired by the Buurtzorg operating model in the Netherlands, its aim is to reinvent home care in the UK by testing and scaling self-managed care teams. We also invested in Bridges Better Outcomes Fund V – a specialist fund that builds partnerships focused on improving public service delivery across a wide range of issues.

Alongside those large investments, we've also supported smaller organisations such as the Blair Academy – a social enterprise centred on healthy and happy ageing. Founder Charlie Blair and her team deliver hip-hop dance classes for older people in a range of community and care settings. It brings joy, movement and connection to older adults and reinforces the need for community-led approaches to wellbeing.

OUR FUTURE AMBITIONS

The path that we're on as an impact-conscious investor isn't linear and doesn't stop here. In fact, it feels like we have only just begun. As we seek to pursue impact-intentionality, we're investing into private markets and allocating capital to fund managers whose investment strategies aim to address social and environmental challenges. It's a constant learning journey for us as an organisation as we look for investment partners whose values align with our own.

While it hasn't always been easy or simple, we hope our experience can encourage others to embark on the same journey of using their investments for impact. According to the Impact Investing Institute, the largest 300 endowed charitable foundations in the UK have over £84bn in total assets. Ganeswaran says: "As foundations, we're not just grantmakers, we're investors. While we may not directly select the companies we're invested in, we remain accountable for impact, both positive and negative, generated by the underlying businesses within our investment portfolios. Just imagine what the world could look like if more charities start prioritising their values in their investment portfolios, using more of their assets to contribute toward their mission." ●

Q&A EVELYN PARTNERS

Cutting through the energy transition noise



An interview with
Katrina Brown
Head of Responsible
Investment

Climate change, energy transition, AI – barely a day goes by that charities aren't inundated with news stories surrounding these topics. What are some of the practical implications for charities and their investments?

Evelyn Partners Head of Responsible Investment Katrina Brown discusses how the transition to a cleaner, more resilient global energy system is unfolding against a backdrop of technological disruption, shifting geopolitics, and evolving investor expectations.

“ The hardware behind AI is getting dramatically more efficient ”

Can AI contribute positively to the energy transition?

Yes, absolutely, although AI does increase electricity demand today. In the US, data centres used about 4% of the country's electricity in 2023, and that could rise to around 9% by 2030.¹ However, there is a reasonable case and hope that it will make the energy system cleaner and more efficient in the long run.

The hardware behind AI is getting dramatically more efficient, with some companies reporting 10–20× improvements in the energy needed to run the same tasks. That means fewer servers, less power, and less heat to manage. AI itself is becoming more efficient, with research showing that improved task models can cut energy use by up to 90%, and it can help run power grids more intelligently – forecasting demand, balancing renewables, and reducing outages.

AI can also support heavy industries become cleaner by reducing waste and optimising operations. In aviation, for example, quick predictive adjustments in response to delays could reduce unnecessary fuel burn.

Meanwhile, companies building AI technology also invest in renewables, increasingly aim for water positive datacentre designs, and support nature-based carbon removal projects.

While AI's energy footprint is growing, its long-term potential is clear: a smarter, cleaner and more efficient energy system.

Ten years on from the Paris Agreement – where are we?

It's been a decade since almost every country in the world signed the Paris Agreement. The ambition was impressive, but progress since then has been uneven. Renewables have surged, but global emissions are still too high, and politics and geopolitics continue to complicate efforts, as seen at COP30.

But that's not the whole story. There are reasons for optimism.

China, the world's largest emitter, appears close to a pivot point in emissions— a major shift. Its enormous renewable energy manufacturing base is driving a massive domestic buildout and supplying the rest of the world. And while China is still constructing coal plants, many run at only around half their capacity.

Solar, paired with storage, has reached a global economic tipping point. It's now the fastest and cheapest way to add new power capacity, unlocking energy access for communities far from existing grids.

Energy security has become a priority for

FAST FACTS

Actively engage and vote across all markets

Signatories to the UN PRI, 2020 Stewardship Code

Active members of the Investor Forum, Climate Action 100+, Find it Fix it Prevent it and Corporate Mental Health Benchmark

Charity reporting including UN SDG and Carbon Emission Metrics

governments. Electrification, powered by renewables, reduces fossil fuel dependence, lowers energy demand, and improves resilience.

Innovation is accelerating too. Technologies like nuclear fusion and sodium ion batteries are moving from labs to commercial plants and manufacturing lines. Google has agreed to buy fusion generated power in the early 2030s — a development that once seemed unthinkable.

Granted, current pledges still point to about 2.4°C of global warming.² But that is significantly better than the more dismal expectations back in 2015. As Oxford Professor Sam Fankhauser recently put it: “Every decimal point of avoided warming counts. The fight against climate change can still be won.”

“ The fight against climate change can still be won ”

Have ESG factors become more or less material in your investment process?

Material ESG factors can be bottom-up, like emissions of an individual company, but can also be more thematic, like responding to technological revolution. We look at ESG factors on a multi-layered basis, assessing long-term megatrends and company level indicators. We see them becoming more financially material, particularly on the environmental side. This is now about economics, competitiveness, and long-term returns.

What are the implications for investors and where can my charity learn more?

Taken together, these developments point toward a decade defined not only by rising challenges but also by unprecedented opportunities. AI has the potential to make energy systems cleaner and more efficient, global climate progress continues, despite political headwinds, and ESG considerations are becoming increasingly tied to long-term economic value. For investors, the task is clear: to integrate these shifts thoughtfully and systematically, ensuring portfolios remain resilient while capturing the structural growth emerging from the transition opportunities ahead. Investments carry risks and you may get back less than you invested. Some ethical funds may have a limited investment universe; this may affect their performance. There are plenty of ways to stay informed. Evelyn Partners provides a range of articles, webinars, podcasts and in-person events, giving you regular access to expert insight.

1 EPRI 2024 white paper “Powering Intelligence, Analyzing Artificial Intelligence and Data Center Energy Consumption”

2 UN Environment Programme, Emissions Gap Report 2025



Please visit our website for more Responsible Investing information or, to find out how we can help your charity, please email our Head of Charity Business Development, Caroline.Gee@evelyn.com

evelyn

PARTNERS

WHAT WE DO

Evelyn Partners is a charity investment specialist. We know no two charities are the same and we aim to work with your organisation, to become an extension of your own team, in pursuit of your financial objectives.

- We currently manage over £3.4bn in assets for over 1,000 UK charities
- We offer segregated, discretionary portfolios created for your organisation’s specific income and ESG requirements
- We do not believe in a “one size fits most” approach
- We offer on-going thought leadership including webinars, articles and 8 in-person charity seminars throughout the country each year
- We are UN PRI and Stewardship Code signatories

Evelyn Partners Investment Management LLP is authorised and regulated by the Financial Conduct Authority. More information on our services can be found at www.evelyn.com/charities

What happens when we open up investment decisions?

James Anthony explains how a group of grantmakers launched a challenge focused on rethinking how, where, and by whom investment decisions are made

THE CHARITY sector stewards billions of pounds in endowments. In 2023-24, the largest 100 endowments alone were valued at £81bn, according to UK Grantmaking data. When we're thinking about how to tackle some of the biggest challenges society has ever faced, that's a considerable sum. Yet, while grantmaking increasingly strives to be open and accountable, investment practices haven't undergone the same transformation.

Imagine if the way our endowments are invested were given the same level of attention and scrutiny: if positive impact were prioritised over the traditional focus on financial return, and we were more transparent in our approach.

The Charity Commission's most recent investment guidance empowers trustees to align investments with their charity's purposes and values. And, according to the Impact Investing Institute, the tide is turning, with a handful of UK foundations leading the way with impact investing.

We count ourselves among them. We're asking ourselves questions about inclusion and transparency. Asking why, when our grantmaking processes are evolving to be more open and involve the people affected by the decisions, are our investment conversations held behind closed doors by a small group of trustees and staff?

In 2020, together with the Blagrave Trust and Joffe Trust, we began tackling the challenge head-on. We ran our first open tender process to find an investment service provider (ISP) for a joint mandate of £33.5m.

The mandate focused on environmental, social, and governance (ESG) issues, and the winner was the Cazenove Sustainable Growth Fund. The fund is now worth over £906m in assets under management.

“A handful of UK foundations are leading the way”

Fast-forward to the autumn of 2024, and we came back together with the Blagrave Trust with a vision of a bigger and bolder impact investing tender: a more focused request for proposals, a bigger challenge to the investment industry, participation from those usually excluded from the process, and more partners.

Four other foundation partners (the Children's Society, Cripplegate Foundation, Joseph Rowntree Foundation and Vivensa Foundation) joined the initiative. The Impact Investing Institute, John Ellerman Foundation, Gallagher, the Robertson Trust and ShareAction's Charities Responsible Investment Network signed up to support the work.

SHIFTING POWER

We wanted to put a new challenge to the investment industry: to propose a fund that prioritises positive social and environmental impact for future generations alongside a reasonable financial return.

To do that, we needed the

“WE'VE FOUND ALIGNMENT AMONG THE DIFFERENT STAKEHOLDERS AND A SHIFT IN POWER WITH THE PARTICIPATION OF THE FUTURE GENERATIONS PANEL”



James Anthony is social investment portfolio manager at Friends Provident Foundation

experiences and needs of young people to guide the process. So, with the Blagrave Trust's expertise in bringing youth voice to the forefront, we set about developing a participatory programme for the work.

Together with Oli Whittington, a participatory and strategic designer, we co-designed a process to surface the needs of those most at risk of future social, environmental and economic threats and who are most often excluded from investment decisions.

In June 2025, we offered a paid opportunity to join a Future Generations Panel – a group of 18 – to 25-year-olds that would reflect a diverse mix of experience. This group would, through a mix of online and in-person sessions, shape and influence the investing process. From around 750 applications from across the UK, seven young adults were randomly selected: Izzy, Jayden, Lok-Yi, May, Muhammed, Seth-Jesse and Viktoria.

REQUEST FOR PROPOSALS

We worked together to shape and draft a request for investment proposals (RFP). A vision from the panel of a “sustainable and fairer future where we take pride in communities and are equitable, with no hate and injustice”, plus the results of a survey with another 60 young people, also contributed towards its development.

Of the 43 questions in the RFP, more than a quarter were specifically identified, or contributed towards, by the Future Generations Panel. The RFP outlined that while we took a broad definition of impact,

we expected ISPs to be able to explain how their solutions provide intentional social and environmental impact that considers the priorities of future generations.

Specifically, the Future Generations Panel identified the following areas of priority: sustainable development, resilience, and recovery of communities affected by conflict, genocide, or breaches of international law; genuinely affordable housing; racial justice and disability equity; cooperatives, community ownership, and democratically run businesses; and renewable energy infrastructure.

Organisational culture was also important, and we wanted ISPs to demonstrate how their culture aligned with the mandate's mission.

In September 2025, we published the RFP. To support a fair and open process, we held a webinar to outline the requirements and answer questions from potential applicants. By the December closing date, we had received 60 applications from 55 investment service providers. They were based in seven countries and three continents and reported over £11tn in total assets under management.

Following an intensive assessment process, which included 13 assessors from seven partner and supporting organisations and three sets of scores for each assessed application, we arrived at a shortlist of five ISPs: EdenTree Investment Management, Foresight, Octopus Capital, Tribe Impact Capital and Triodos Investment Management.

THE APPLICATIONS

Overall, it was great to see that a desire to invest with impact still has influence, despite ESG backlash and difficult times for sustainable investment strategies.

We saw a breadth of ISPs making applications, and this evolving ecosystem is good news, reflecting a growing industry and offering investors multiple options. It was also encouraging to see a consensus building on how to measure impact: consistent use across the sector of an established and openly available framework is a positive sign.

But there are still plenty of

trade-offs to wrestle with. The best financially performing funds continue to invest in the biggest companies in the world ("the Magnificent Seven"), while the funds creating a positive real-world impact have generated less of a financial return in recent years.

The trade-off of liquidity vs impact was still very present. For example, the impact of private assets was high, but the trade-off was the liquidity. As grantmaking organisations, we need liquidity to ensure we can continue to meet our grantmaking and operational demands. And despite some great examples of engagement activities, overall, we found it quite insufficient.

“Investment should be a bridge to a better economy”

MORE THAN A MILESTONE

On 25 March, we welcomed an audience of around 120 staff and trustees, young people, other mission-aligned investors and advisers to London's Barbican Centre for the culmination of the work so far.

We saw presentations from five very different ISPs, including public equity portfolios, a fund of funds, private markets solution and multi-asset portfolio.

Each presenting team was challenged with relevant and insightful questions from a group of experts, the Future Generations Panel and audience. Following the presentations, the Future Generations Panel considered each ISP before making a recommendation to the audience: to vote for Triodos.

Izzy from the Future Generations Panel said to the audience: "When we started, we established baseline criteria that reflected our views of the world and the future. We wanted an ISP that doesn't contribute harm, such as not investing in arms, war, or the maltreatment of employees. Instead, we were looking for an ISP that contributed to future generations in the long term, such as through renewable energy, bridging inequality, opposing genocide, and not investing in the 'Magnificent Seven'.

"Our winner met these expectations. They were transparent and showed clarity in their strategies, especially in a way for us to understand (the jargon is real), as well as handling our challenging questions well, which gives us more confidence in them."

And the audience followed their recommendation, with 46% of the "people's choice" vote going to Triodos.

Each of the shortlisted ISPs brought a different solution to our challenge of a portfolio that prioritises the needs of future generations. By applying a child-lens investing framework, Triodos demonstrated that it truly prioritised positive impact alongside financial returns.

THE FUTURE

The event is an important milestone in this collaborative effort to invest our endowments in line with our missions. We've found alignment among the different stakeholders and a shift in power with the participation of the Future Generations Panel.

There is more work to do. Each partner's trustees and investment committees will examine Triodos's portfolio, alongside additional due diligence from Gallagher, and make their investment decisions.

And once our money is invested, we'll continue to engage and scrutinise the investments made on our behalf.

We also hope to start a movement (of both priorities and money) across the sector. Endowed foundations and charities are long-term stewards of capital, and so must be long-term thinkers when it comes to our investment portfolios. Investment should be a bridge to a better economy in the future. But for now, that bridge is broken by a focus on short-term increases in financial value. We hope to change that by demonstrating a bold new model for investing – one that shares power with young people, prioritises long-term impact, increases transparency and challenges the status quo of the investment industry.

You're invited to join us. Whether you want to find out more, commit capital alongside the challenge's partners or replicate the process, please contact us: hello@endowmentsinvestingchallenge.com ●

Q&A RATHBONES

Aligning responsible investment with purpose and mission



An interview with

Kate Elliot

Head of the Rathbones
Responsible Investment
Centre of Excellence

In 2026, what does a fit-for-purpose responsible investment framework look like for trustees balancing mission, risk and return?

As responsible investment approaches have evolved and developed, the range of options available to trustees has expanded far beyond just a list of prohibited activities.

Exclusions can still play an important role, but they have been joined by a much wider toolkit of complementary approaches.

“ Responsible investment frameworks should be mission-aware but investment-led ”

A core foundation of many responsible investment approaches is ensuring environmental, social and governance (ESG) issues are considered as part of the investment process, allowing for a wider view of risks and opportunities that might impact the financial outlook of individual companies, industries or the economy as a whole.

Setting expectations for your managers to take an active approach to engagement and stewardship can help manage and mitigate ESG risks and encourage improvement over time in the social and environmental performance of underlying investments. This might be through dialogue with investee companies, voting at AGMs or collaborating with others to encourage systemic change.

In practice, a good framework is one that is mission-aware but investment-led: proportionate, evidence-

based, and focused on decisions that protect long-term returns while aligning capital with the charity's values.

How should charities prioritise responsible investment issues and engagement areas in a way that is proportionate and aligned with their resources?

A good starting point is establishing a clear understanding of the charity's purpose and mission and the role that any investments need to play in supporting it. This should include consideration of the investment time horizon, risk appetite, objectives for financial return and mission-alignment.

Prioritisation starts with identifying areas where the charity's mission and investments overlap and what approaches can be used to maximise alignment. Activities that are in direct conflict with a charity's mission (eg a cancer research charity and tobacco) can be managed through exclusions.

Broader issues could then be considered through a matrix mapping topics by mission relevance, portfolio exposure and potential risk.

From there, trustees can identify their core priorities and build expectations around those, whether that

FAST FACTS

Expert charity investment management

Managing investments for over 3,000 UK charities and not-for-profit organisations

£9.6bn charity assets under management

Local support and national reach with 21 dedicated offices across the UK

Specialist sustainable research expertise (Greenbank) within the Responsible Investment Centre of Excellence

*All figures as at 31 December 2025

be through further exclusions, seeking to align investments with positive social or environmental themes or expectations on engagement activity.

This keeps the approach disciplined and achievable, ensuring the charity concentrates on decisions and topics most relevant to its mission.

What should charities expect fund managers to evidence on responsible investment – across integration, stewardship and outcomes – and where is the line between essential information and nice to have?

Trustees should expect a reporting approach that gives them insight into risks, opportunities and outcomes without becoming a drain on governance capacity.

There are three core areas that investment managers should be able to demonstrate:

Integration: how ESG risks and opportunities are assessed within investment decisions, and what difference this analysis makes. This should include real examples, not generic statements.

Stewardship: evidence of engagement activity, how issues are prioritised, how progress is tracked and how voting decisions align with stated policies. Trustees should expect transparency on how managers react and escalate activity if engagement stalls.

Outcomes: bringing the theoretical back to reality. How has the charity's responsible investment policy been implemented in practice? How has engagement activity translated into real world change? Is the manager clear on where they can and can't claim influence and impact?

The line between essential and "nice to have" will vary according to a charity's aims and objectives for responsible investment. But what doesn't change is the need for information to be clear and understandable and, most importantly, relevant to the charity and its aims.

Quality over quantity is the key factor here. Detailed ESG reports, glossy impact metrics or overly technical modelling may give the impression that all bases are covered, but if these do not assist trustee understanding or decision-making then they serve no real purpose.

How can charities report progress on responsible investment credibly to stakeholders, without over-claiming or relying too heavily on imperfect data and evolving standards?

Credible reporting focuses on what the charity can control and avoids promises it cannot substantiate.

The most effective approach is often to explain the decision-making framework and context. What

has the charity prioritised, how decisions are taken, and how the investment manager is held accountable.

Trustees can then provide examples of changes made during the year, whether in policy wording, risk oversight, or specific stewardship outcomes.

Data and metrics can be useful proof points, but often stories and narrative reporting are a more effective way of communicating with wider stakeholders.

This is particularly true if those stakeholders have little or no experience or understanding of investments and how they can be aligned with a charity's mission.

“ Transparency can be a very powerful tool in building trust and a sense of shared purpose ”

Transparency can be a very powerful tool in building trust with stakeholders, as can honesty about areas that may not be perfect today. Recognising progress, outlining areas where evidence is still emerging and being clear about where the charity is still learning can all help build a sense of shared purpose with beneficiaries, donors and broader stakeholders.

 **RATHBONES**

WHAT WE DO

We offer charity investment solutions tailored to your needs backed by institutional investment expertise.

Charities have entrusted their investments with us for over 100 years, and our dedicated approach has seen Rathbones become one of the leading investment managers for charities and not-for-profit organisations in the UK.

The value of investments can go down as well as up and you could get back less than you invested. Past performance is not a reliable indicator of future results.