ENDOWMENTS
INVESTING
CHALLENGE

Friends
Provident
Foundation

AN INCONVENIENT YOUTH

How uncomfortable questions helped move £20m of charity investment.



ENDOWMENTS INVESTING CHALLENGE

I EXECUTIVE SUMMARY

Executive summary

Investment should be a bridge to a better future, one that gives young people a meaningful voice in shaping how it is built. Yet that bridge is crumbling under financial markets' fixation on short-term returns, disregarding the long-term social and environmental foundations that future generations will depend on.

The status quo also means asset owners such as charitable endowments, trusts and foundations often unknowingly invest in activities that undermine their own missions. As a group of UK charities and foundations aiming to use all our capital in pursuit of our missions, we set out to change that.

The Endowments Investing Challenge was a public tender process to find a new investment service provider (ISP) to help us move up to £50 million to a fund more aligned with our missions.

We wanted something bold: a Request for Proposals (RFP) focused on intentional positive impact on future generations, with genuine representation from the young people our investment decisions would impact. We recruited a Future Generations Panel of seven 18-25-year-olds, whose strong demand for accountability influenced everyone involved and the whole process.

In September 2025, we published the RFP and received 60 applications from 55 ISPs across seven countries, representing over £11.5 trillion in assets under management. The applications were assessed on key areas: impact on future generations; organisational credibility and values alignment; financial investment fundamentals; engagement with the process.

Five shortlisted ISPs (**EdenTree Investment Management, Foresight (WHEB)**[1]**, Octopus Capital, Tribe Impact Capital, and Triodos Investment Management**) presented at London's Barbican Centre in March 2026.

Following a recommendation from the Future Generations Panel for their commitment to impact, transparency, close fit with the mandate and organisational alignment, **Triodos Investment Management** won the audience vote with their Future Generations Fund.

The Triodos Future Generations Fund was launched in 2022. It uses a framework developed by UNICEF[2] to invest in companies that focus on child health, education, protection from violence, climate, and equality. Triodos Bank, the parent company, has been providing sustainable financial services in Europe for over 45 years.

This report summarises our findings and offers recommendations to help asset owners align their investments with their missions and help ISPs to improve their offering. Underpinning this is the urgent need for young people's views to be listened to and acted upon as they will be the generation having to live with the impacts of today's investment decisions.

Friends Provident Foundation

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[1] In September 2026, Guinness Global Investors completed an acquisition of Foresight Capital Management (FCM), the public markets division of Foresight Group. This transaction formally absorbed the WHEB fund that applied to the EIC. For clarity we only refer to WHEB throughout the rest of the report.

[2] www.unicef.org/innovation/innovative-finance/child-lens-investing

I EXECUTIVE SUMMARY

Key findings

Working with a panel of young people demanded a level of accountability that positively influenced everyone involved and the whole process. They questioned us as asset owners on our investing process – how we make decisions, what we invest in and why. And they challenged ISPs directly about their suggested funds, pay gaps in their organisations, and their lack of response to difficult ethical issues. It brought the transparency and openness that is needed in investment decisions.

1. Young people's voices and difficult questions were largely sidelined

Throughout the process, the Future Generations Panel stressed the need to consider how investment affects conflict, genocide, and breaches of international law, making regular reference to Israel-Palestine. The RFP was clear on weapons and armaments exclusions. Yet nearly half of applicants excluded only controversial weapons from their funds, rather than all weapons and armaments. Almost no ISPs addressed the panel's desire to avoid companies that facilitate conflict and genocide and invest in the sustainable development of affected areas.

The RFP also prioritised future generations, but most applicants offered existing products developed in traditional, non-participatory ways. A few ISPs did engage deeply with young people to shape their offerings, and we commend them.

RECOMMENDATION:
Engage directly on difficult questions and open up decision-making

Asset owners should raise, and ISPs should openly discuss, uncomfortable topics like conflict, genocide, and breaches of international law – rather than avoiding them.

Asset owners and ISPs should also open up decision-making to those most likely to be impacted by the investments. Embedding real participation – for example through committee seats, advisory boards, and participant assemblies – should be the norm, not the exception.

2. Trade-offs exist – but can be balanced

A key finding is that it is not currently possible to maximise positive impact for future generations and financial return while also minimising financial risk. However, impact, risk and return can be carefully balanced.

In times of financial uncertainty, asset owners and ISPs alike tend to default to deprioritising impact. Charities, endowments and foundations are well-placed to resist this. As long-term holders of capital that are not required to maximise shareholder value, they can hold their course and keep backing investments that deliver long-term environmental, social and economic impact.

RECOMMENDATION:
Acknowledge trade-offs and be explicit about priorities

Asset owners should have honest internal discussions about which factors matter most, communicate those priorities clearly to ISPs, and stick to them even when markets are uncertain.

ISPs, in turn, should take the time to understand what trade-offs their clients are genuinely willing to accept, rather than defaulting to financial return as the only lens.

3. Traditional metrics are a fundamental problem for impact investing

The Endowments Investing Challenge deliberately left financial return expectations flexible to encourage innovation. Benchmarking nonetheless emerged as a major obstacle.

In public equities, most ISPs used the MSCI World Index or a variation of it. The Magnificent 7 (seven high-performing US technology companies – *Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, Tesla*) make up over 20% of this index, yet they largely don't qualify for impact funds. Tracking the benchmark therefore pulls portfolios towards them: several applications held high allocations to these companies, some as high as 30% of their fund. There did not appear to be a relevant benchmark for impact public equities funds.

Public debt showed more consistency, whilst private markets avoided benchmarks entirely, using fixed or inflation-linked targets.

Liquidity risk also dominated discussions and was a key limitation for some partners. Only one private markets-only solution reached the shortlist, despite arguments that private markets can deliver more focused impact.

RECOMMENDATION:
Rethink assumptions on benchmarks and liquidity

Asset owners should consider whether mainstream benchmarks are appropriate for an impactful portfolio, and ISPs should innovate to develop more appropriate ways of benchmarking financial performance.

Asset owners should also question whether they need full-portfolio liquidity given their long-term outlooks, while ISPs should offer semi-liquid or hybrid structures rather than offering only fully liquid or fully illiquid products.

4. Values increasingly align but some contradictions remain

This process showed that asset owners have meaningful options to partner with values-aligned ISPs. Nine Endowments Investing Challenge applicants were certified B Corps. Our analysis of applicants' ownership and governance models suggested around half may have some degree of alignment to asset owners, albeit with a lot of variation among these. All five shortlisted ISPs were entirely focused on impact or sustainable investment.

However, pay gaps are a major contradiction for organisations that present themselves as values-driven. Of 22 ISPs reporting UK median gender pay gaps, only two were below 20% and nearly all were far worse than the 12.8% UK average. Just six applicants reported ethnicity pay gaps, even though upcoming legal requirements are likely to require many of them to do so. Transparency was poor overall, with most ISPs only reporting what is required by law.

RECOMMENDATION:
Align organisational values with investment values

Asset owners should scrutinise ISPs' ownership structure, governance, and internal culture (including pay gaps), not just the specific funds they invest in, and should move money to better aligned ISPs.

ISPs should clearly explain how their internal structure aligns to asset owner values, voluntarily report pay gaps (beyond the legal requirement), and take action to close them.

I EXECUTIVE SUMMARY

Conclusion

Since the Endowments Investing Challenge event, partners have committed approximately £20 million to the shortlisted ISPs, including over £12 million to **Triodos**. We expect further investment commitments from partners and others, but we do not expect to reach our initial target of £50 million, which reflects the state of the sector.

Triodos was selected by the Future Generations Panel in large part because they consider impact on young people within their investment process. We need more ISPs to be accountable to those affected by their investments, and more asset owners to demand it.

The Future Generations Panel were an inconvenient youth, in a crucial way. They had high demands for the level of impact they expected, asked uncomfortable questions to ISPs, and challenged the way asset owners think about their investments. Similarly, asset owners can and should be an inconvenient investor to ISPs: engaging robustly on ethical issues and asking for products that deliver high impact alongside reasonable financial returns.

Now is an important time to ask inconvenient questions. AI, defence, and social media are all booming investments but are unlikely to align with charitable missions. When the market can't deliver a matching level of financial return for investments that prioritise positive impact, which should we be willing to compromise on: impact or return? And is financial growth the primary purpose of charities, endowments and foundations?

Endowments Investing Challenge partners will continue to work, individually and collectively, to align our investments with our charitable missions. The social and environmental challenges we face have arguably intensified since we started this process. We look forward to working with ISPs, other asset owners, and the investment industry more broadly to respond to the Endowments Investing Challenge.

Find out more at: **endowmentsinvestingchallenge.com**
or you can email: **hello@endowmentsinvestingchallenge.com**



ENDOWMENTS INVESTING CHALLENGE

Friends Provident Foundation

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II CORE LEARNINGS

Introducing the Endowments Investing Challenge

Why it was needed

The urgency of social and environmental crises and the growing backlash against sustainable investing calls for a collective response from values-based investors.

Financial markets contribute to these crises through a focus on short-term increases in financial value and a lack of consideration of long-term social, environmental, and economic impacts.

As participants in financial markets, charity investors and other values-based asset owners are highly likely to be investing in products and companies that are a detriment to their missions.

[3] https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14

[4] https://www.impactinvest.org.uk/resources/publications/the-uk-impact-investing-market-size-scope-and-potential/

It doesn't need to be this way

Recent regulatory changes[3] and the evolution of the impact investing market[4] have created opportunities for an alternative approach, promoting charities aligning their investment capital with their missions.

An investing challenge was first run in 2020 with a mandate of £33.5 million from Friends Provident Foundation, The Blagrave Trust, and the Joffe Trust. A new investment fund was seeded by the winner Cazenove Capital, since growing to almost £1 billion in assets under management[5]. It inspired similar exercises at least two further times across two continents[6].

For the Endowments Investing Challenge (EIC), we sought to push the dial more towards long-term impacts on future generations, driving financial value over decades. As such, we wanted to include the voices of those more affected by our investment decisions – the future generations themselves.

Our vision was big and bold: a request for proposals (RFP) focused on intentional positive impact on future generations alongside reasonable financial return; participation from those usually excluded from the process; and a big enough mandate to attract the attention of the investment industry.

What happened

Through late-2024, we brought together interested partners to develop a transparent, collaborative ISP tender process that would prioritise positive impact on future generations alongside financial return.

To include the voices of those most impacted by our investment decisions, we recruited a Future Generations Panel (FGP) of seven 18-25-year-olds from across the UK. They all had lived experience of social, environmental, or economic marginalisation, for example multiple protected characteristics (including race, sexuality, and disability), housing insecurity, living in high pollution areas, and insecure employment/low incomes.

The FGP – Izzy, Jayden, Lok-Yi, May, Muhammed, Seth-Jesse and Viktoria – shaped and influenced key investment decisions throughout the process.

In September 2025 we published a public RFP and received 60 applications from 55 different ISPs. The applicants were based in seven countries, three continents, and represented over £11.5 trillion in existing assets under management.

Five shortlisted ISPs[7] were invited to an event at London's Barbican Centre in March 2026, attended by charity staff, trustees, the FGP, and others. Following a presentation from each shortlisted organisation and questions from attendees, the FGP deliberated and made a recommendation to the audience: to vote for **Triodos Investment Management**. The audience followed their recommendation, with 46% of the "People's Choice" vote going to **Triodos**. **Octopus Capital** were runners up, receiving a special mention from the FGP and 30% of the audience vote, followed by **WHEB** with 20%.

Since the EIC event, partners have committed approximately £20 million to the shortlisted ISPs, including over £12 million to **Triodos**. We expect further investment commitments from partners and others, but we do not expect to reach our initial target of £50 million, which reflects the state of the sector.

[5] SUTL Cazenove Sustainable Growth Fund S GBP Inc, GB00BF782168:GBP summary - FT.com

[6] www.esgchampionship.ca/ and www.endowmentsforimpactchallenge.com/

[7] The full shortlist was EdenTree Investment Management, WHEB, Octopus Capital, Tribe Impact Capital and Triodos Investment Management. These names are in bold throughout the document to highlight they were shortlisted.

II CORE LEARNINGS

State of the sector

The EIC is one experiment in a deeper questioning of how charity money is invested, and how that aligns with charitable missions.

The aim of this report is to share our learnings of both:

- What is available in the market that supports our vision of how charity money should be invested.
- The challenges and opportunities for charity investors and other values-based asset owners who are considering how they invest their capital.



"Sustainable and impact funds cannot match the financial performance of the global market due to the dominance of the "Magnificent 7"... and fossil fuel energy companies, neither of which tend to hold a meaningful allocation in impact and sustainable funds. Through the process, we learned that these trade-offs are a large cause of concern in boardrooms."

Across asset classes and themes, there are numerous options to invest money in more impactful and values-based ways. However, challenges remain and there is no perfect ISP or product that can deliver impact without compromising on return and/or risk.

Trade-offs are much more visible in 2026 compared to 2020 and need to be seriously considered by organisations who want to align investment with their missions.

These trade-offs are discussed later in the report, but the primary one is that sustainable and impact funds cannot match the financial performance of the global market due to the dominance of the *"Magnificent 7" (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, Tesla)* and fossil fuel energy companies, neither of which tend to hold a meaningful allocation in impact and sustainable funds.

Trustees of charities have a fiduciary duty to safeguard assets, which has traditionally meant prioritising financial return over other considerations when investing.

This has created tension for trustees wishing to invest in line with their charity's mission. Recent developments have eased this tension: the High Court's judgement in *Butler-Sloss v Charity Commission (2022)* and resulting revised *Charity Commission guidance, CC14 (2023).*

However, charity trustees still face the dilemma of how best to balance making mission-aligned investments with financial return. Through the process, we learned that these trade-offs are a large cause of concern in boardrooms. Looking forward, we may need to reconsider what 'good financial performance' is, or what non-financial cost it comes at.

II CORE LEARNINGS

Impact on future generations

Impact is a broad spectrum

In the RFP, we asked ISPs to show how their investments would create intentional social and environmental impact for future generations. We also included priority areas identified by the FGP, including: sustainable development and recovery of communities affected by conflict or genocide; affordable housing; racial justice; community ownership; and renewable energy.

We left it broad for two reasons: to leave space for ISPs to innovate; and to maximise buy-in from all participating charities.

As expected, we received a wide range of applications with both targeted impact focuses and more broad impact agnostic or thematic approaches. Of the impact areas listed in the RFP, renewable energy (or climate more broadly) was by far the most common seen in applications (c. 50%), followed by affordable housing (c. 20%). Other impact areas noted in the RFP were seldom targeted, demonstrating an expectations gap between the FGP and the ISPs.

However, ISPs did put forward other impact themes, including broader environmental themes such as natural capital, circular economy, biodiversity, food security, and blue economy, and social themes such as healthcare, community resilience, and economic inclusion.

Additionally, we saw several applications that focused specifically on emerging markets. We recognise that investing with this geographic scope in small and medium-sized enterprises can deliver high additionality, especially around financial inclusion (i.e. new money that wouldn't otherwise have been invested, particularly supporting those usually excluded from financial services). The median average age is also typically younger in emerging markets, making a case that investing in these geographies most supports global future generations. While we received compelling applications focused on emerging markets, none were shortlisted. This was partly because the mandate was global but had a slight UK preference, with the partners seeking a more concentrated amount of 'home-ground' impact.

Given the mandate of a portfolio for future generations, we were expecting ISPs to think deeply and innovatively about how their investment approach would deliver on this. Some ISPs demonstrated thoughtful connections between their investment philosophy and impact on future generations – notably **Triodos** via the child-lens investing framework. Surprisingly, five applicants didn't mention future generations at all in their 15-page response.

IN SUMMARY

Missing the brief

Five ISPs didn't mention future generations at all in their applications and real innovation was largely absent.

- **ASSET OWNERS:** Be wary of ISPs treating impact as an add-on, not core to their thinking.
- **ISPs:** Use the brief as a lens to shape your funds rather than repackaging existing ones.

ENDOWMENTS INVESTING CHALLENGE

Impact intentionality levels vary significantly across asset classes

PUBLIC EQUITY (SHARES IN LISTED COMPANIES)

We saw an array of approaches in the public equity space, with relatively few meeting the level of impact intentionality desired by the mandate.

For many, the main approach was to integrate environmental, social and governance (ESG) factors in the investment approach, and the impact case was made through active engagement with companies. There were a fair number of good examples of engagement and escalation, particularly on climate. But it did not always seem plausible that engagement and escalation was effective with companies like the *Magnificent 7*. This is partly due to their scale, and in some cases due to dual share-class structures, where founders keep voting control even though other investors own shares, significantly reducing shareholder power.

Others applied a thematic approach – selecting companies based on alignment to the United Nations Sustainable Development Goals (SDGs) or self-identified positive themes. These funds tended to employ some active engagement alongside investing in companies aligned to some chosen positive but broad themes – e.g. climate or social impact. Impact intentionality varied: some considered impact throughout the investment process, had impact-specific teams (or integrated within the investment team), actively engaged, and had strong impact reporting. Others applied a loose classification against the SDGs and did not go much beyond this.

PUBLIC DEBT (BONDS)

While there is a reasonable consensus being drawn that public debt is a strong alternative to equity for impact (due to the additionality of new bond raises and the growth of bonds with sustainable outcomes), we saw very few applications in this area. Only three applications were dedicated solely to public debt (none of which were shortlisted), and for multi-asset / fund of fund solutions it was often a minor allocation. Much like equities, mapping to SDGs was common for impact reporting, as well as reporting on the use of proceeds.

PRIVATE MARKETS (UNLISTED COMPANIES AND INVESTMENTS)

Many argue that private markets offer a far greater contribution to impact than public markets. The main case for this is the additionality offered – the capital goes to small and growing companies, rather than being used to trade shares already in circulation. However, disclosure on sustainability is much less developed in private markets.

We did observe plenty of private markets applications with a more focused and potentially higher level of impact intentionality. The most impactful applications were easier to identify, especially in cases where the focus was narrow: affordable housing (**Octopus Capital**); natural capital (**Foresight Natural Capital**); social outcomes contracts and partnerships (**Bridges Outcomes Partnerships**). These were all UK-focused investments, making them relevant for UK-based investors.

CASE STUDY: BRIDGES OUTCOMES PARTNERSHIPS

Highlighting the trade-offs

Bridges applied with their *Better Outcomes Fund V*, which invests in c.70 social outcomes contracts and partnerships in the UK (primarily) and other high-income countries. From an impact perspective, it was the highest scoring application, with clear intentional positive impact on children, vulnerable adults, and the planet. However, Bridges wasn't shortlisted, due to too many trade-offs against other aspects of the RFP. For instance, the fund had a target size of only £100 million, while we needed scalability in a winner. Additionally, the investment term was expected at 12 years, raising key liquidity concerns.

This example points to the strengths and realities of the current impact investing market. There are a broad range of exciting impact investing opportunities available to asset owners, depending on their requirements. However, there is no perfect solution and asset owners must recognise the trade-offs and make intentional choices about what matters most.

II CORE LEARNINGS

Weapons and armaments exclusions may still allow conventional weapons

The RFP stated: "…the solution must exclude investments in […] weapons and armaments."

Most applicants claimed compliance with this exclusion. However, on deeper investigation, almost half of applicants only applied an exclusion of controversial or nuclear weapons but didn't explicitly exclude investment in conventional weapons. While this doesn't mean the funds were actively investing in defence companies producing weapons and armaments, it speaks to a live debate about whether defence should remain excluded from ethical funds.

The EIC partners and the FGP strongly believe all weapons and armaments should be excluded from charity investments, not just controversial or nuclear weapons.

Very few investors address conflict, genocide, and breaches of international law

The FGP were clear on the role of war, conflict, and genocide in their lives: *"We have grown up with war as a near constant, and we are determined not to support it in the investment choices we make, including those investing in the companies which facilitate the technology for warfare and genocide."*

Importantly, the FGP encouraged both charity investors and ISPs to look beyond weapons and armaments exclusions and do more to specifically address the role of companies in supporting conflict and genocide, making regular reference to Israel-Palestine. This focus was reflected in the RFP:

> *"We also seek to avoid companies or governments directly perpetrating or closely involved in genocide or breaches of international law as identified by credible international human rights organisations."*

While conflict and genocide are just one aspect of the RFP, the level of responses that acknowledged it was remarkably low. Only seven applications specifically mentioned conflict, genocide, or war, and only one noted an active investment to support economic development linked to an area of conflict. Further, it was a subject that partners found difficult and uncomfortable to navigate, supporting the conclusion that the whole industry doesn't currently address this issue.

IN SUMMARY

A confidence gap on conflict:

The role of investment in conflict and genocide is emerging as a conversation in the sector.

- **ASSET OWNERS:** If this is important to you, you need to explicitly challenge your ISP on it.
- **ISPs:** Don't ignore the issue: develop transparent policies for how you'll approach it.



[8] https://impactmanagementplatform.org/investment-classifications/
[9] https://impactfrontiers.org/norms/five-dimensions-of-impact/
[10] https://www.impactprinciples.org/
[11] https://iris.thegiin.org/metrics/

Impact measurement has advanced… but still has a way to go

In recent years, there has been a noticeable increase in the consistency of impact measurement and management, which came through strongly in the applications.

Frameworks like the ABC[8] framework, the five dimensions of impact[9] (What, Who, How much, Contribution, Risk), The Operating Principles for Impact Management (OPIM)[10], and IRIS+ metrics[11] are becoming increasingly used and recognised.

However, many applications still relied on SDG mapping for their impact framework. SDGs were mentioned in 50 out of the 60 applications, showing they are a tool used across the investment spectrum. But SDG mapping is simply a labelling framework – it does not attribute measurable positive impact.

Impact verification also still appears relatively underdeveloped. However, a handful of applicants did have their impact verified by organisations such as The Good Economy and BlueMark.

IN SUMMARY

Progress on measurement

Impact measurement has matured, but SDG mapping is still used as a substitute for real impact measurement.

- **ASSET OWNERS:** Ask your ISP how they measure impact and ask about impact verification.
- **ISPs:** Utilise the emerging measurement and verification tools.

II CORE LEARNINGS

Organisational credibility and values alignment

Values-based asset owners can partner with much more aligned ISPs

There are options for charity investors to find more values-aligned investment service providers to manage their money. Nine applications came from certified B Corp organisations, meaning they meet verified standards of good sustainability practice in their own operations.Another two were closely related to B Corps, for example one of the non-lead applicants in a partner application was a certified B Corp. Of the shortlisted applicants, **Tribe Impact Capital**[12] has a particularly high "B Impact Score".

Another related area of potential alignment with values-based investors, or lack thereof, is the governance and ownership structures of ISPs. A subjective analysis of the ownership structures and governance of the 55 lead applicants suggested that:



- **7 ISPs had an ownership and governance structure that was highly aligned with charities**, as demonstrated by preventing external profit extraction and prioritising values over commercial returns. These included employee-owned ISPs, those with charity ownership, or founder-led models with philanthropic backing.

  In each case, governance protections ensured no commercial shareholder could override mission. **Tribe Impact Capital** and **EdenTree Investment Management** were two ISPs judged to have a high level of alignment.



- **12 ISPs had an ownership and governance structure with medium alignment with charities.** These firms often also had models that avoided external shareholder pressure, such as ownership through partners/employees.

  However, it was often less clear how evenly distributed this ownership was. Several were subsidiaries of values-led parent companies and some had governance protections for values. But the practicalities of this structure on day-to-day operations was less clear.

[12] Friends Provident Foundation has a small minority ownership stake (1.54% at the time of the EIC event) in Tribe Impact Capital. For this reason, Friends Provident Foundation staff and Trustees were excluded from all discussions, assessments, and decisions about the inclusion of Tribe Impact Capital in the shortlist and did not vote at the event.



- **12 had an ownership and governance structure with low, but some, alignment with charities.** Some had employee or partner ownership, with significant but minority stakes within predominantly commercial structures.

  In most cases, employee ownership appeared concentrated among senior management rather than broadly distributed. Some were subsidiaries of large mutual insurers, offering potential values alignment but limited direct control.

- **24 did not seem to have any clear alignment with charities.** None of these ISPs were shortlisted.

We also saw a trend that the better performing ISP applicants were more likely to be geared entirely towards impact or sustainable investment. All five shortlisted ISPs fit this category. This was a change from 2020 when more mainstream ISPs were also shortlisted.

The conclusion for charities and other values-aligned asset owners is they do not need to settle with the general status quo of investing with ISPs that are not aligned, even at the organisational level.

Importantly, as investment fees are a significant part of charitable foundation expenditure, charity investors do have a broader pool of values-aligned ISPs to select from.

II CORE LEARNINGS

Pay gaps are a major area for improvement

Pay gap reporting measures the difference in earnings between specific groups across a workforce. It highlights broad workplace inequalities and the representation of different demographics in higher- or lower-paid roles. It does not directly measure equal pay for the same work, which is a legal requirement. Pay gap reporting aims to increase transparency, drive accountability, and promote fairness.

Gender, ethnicity and other pay gaps are a huge area for improvement across the investment industry. The applications reinforced this. Transparency was low – with very few going beyond what they are legally required to report – and gaps were high. This is a direct contradiction between the internal practice of values-aligned asset owners and ISPs.



Gender pay gaps

Gender pay gap reporting measures the difference in average pay between female and male workers in the UK. Reporting gender pay gaps is a legal requirement in the UK for organisations above 250 or more employees.

22 of the 55 applying ISPs reported a UK gender pay gap as part of their EIC application. The most common reason ISPs did not report it was because they're not legally required to do so, with very few voluntarily reporting.

Looking at the median gender pay gap for UK employees for the latest available year[13]:

- Only 2 ISPs had a gender pay gap of less than 20%
- 17 had a gender pay gap of between 20 and 30%
- 3 had a gender pay gap of more than 30%

Gender pay gaps among applicants are far higher than the UK average (12.8% was the median gender pay gap across all UK employees in 2025).

The ISP that had the lowest UK median gender pay gap for the latest available year was **Triodos Investment Management** (9.3%)[14].

Gender pay gap reporting over multiple years was rare.

[13] In some cases, figures were used for smaller UK-based entities that are part of global ISPs.

[14] The 9.3% figure is for UK workers at Triodos Bank: TRIODOS BANK UK LIMITED gender pay gap report for 2025 to 2026 reporting year. It should be noted UK workers are only around 18% of Triodos Bank's total global workforce. Triodos also reports its gender pay gap across its entire workforce. It is also much lower than the industry average but it is not clear whether this is calculated in exactly the same way as UK gender pay gap reporting.

Ethnicity and other pay gaps

Ethnicity pay gap reporting measures the difference in average pay between white and non-white (ethnic minority) employees in the UK. It is not currently a legal requirement. However, the UK government has confirmed it will introduce mandatory ethnicity and disability pay gap reporting for employers with 250 or more employees, targeting full operation by 2029[15].

Only six ISPs reported their ethnicity pay gap as part of the EIC. There was a wide range in the median ethnicity pay gap reported from 24.4% to -19.2% (Aviva, the only ISP to report an ethnicity pay gap in favour of non-white employees)[16].

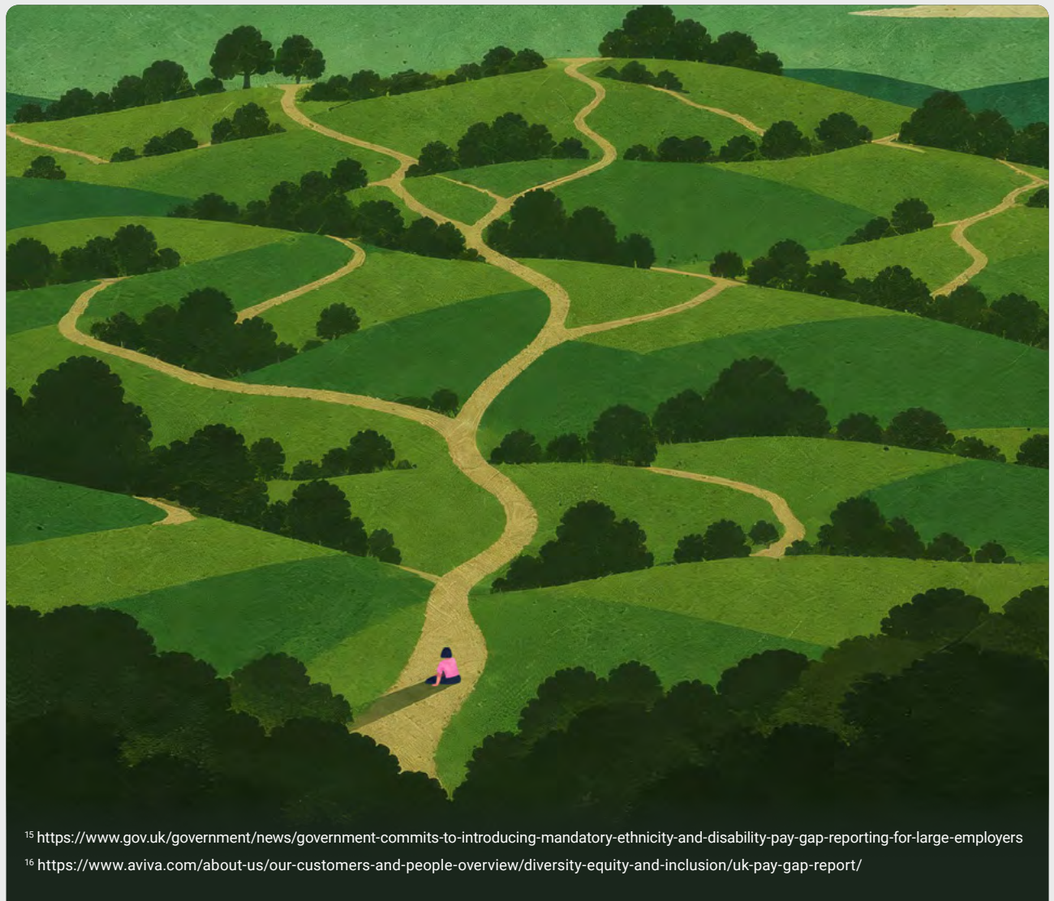
Overall, LGT Wealth Management were a stand-out in terms of going beyond what they are legally required to publish in the UK. As well as their gender pay gap, they report on their ethnicity and socio-economic pay gaps.

IN SUMMARY

Poor pay gap transparency

The regulatory tailwind mandating pay gap reporting is welcome. Despite this, pay gaps currently represent a contradiction between charity investors and the internal practices of ISPs.

- **ASSET OWNERS:** Demand pay gap disclosure and action from your ISP.
- **ISPs:** Improve policies and transparency.



[15] https://www.gov.uk/government/news/government-commits-to-introducing-mandatory-ethnicity-and-disability-pay-gap-reporting-for-large-employers

[16] https://www.aviva.com/about-us/our-customers-and-people-overview/diversity-equity-and-inclusion/uk-pay-gap-report/

II CORE LEARNINGS

Financial investment fundamentals

The RFP was deliberately open when referring to financial return: it asked for a *"Reasonable rate of financial return, adjusted for the relevant risk and asset classes."*

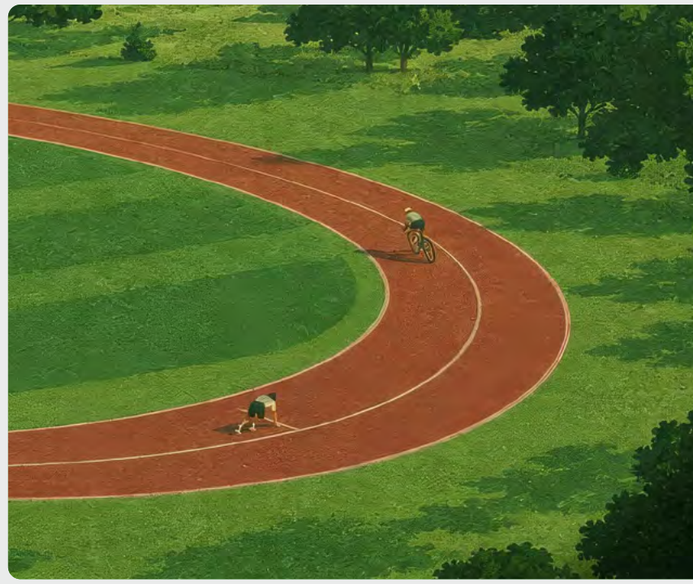
The purpose of this was to provide financial flexibility for ISPs and encourage innovative proposals that would prioritise impact on future generations.

In addition, as partner foundations in the EIC, we each have different return expectations and investment criteria, for instance on liquidity.

Being unspecific about return meant we could introduce a wider pool of investments to assess against our individual requirements.

Benchmarks are not fit for purpose in impact investing

In the financial markets as well as in charity investment committee meetings, performance against benchmark is a regular topic of discussion. It is the primary indicator of how an investment is performing in comparison to its peers or expected performance of that product. This means choosing an appropriate benchmark is incredibly important.



Public equities (shares in listed companies)

In the public equities space, the most used benchmark is the MSCI World Index or a variation of it. However, in recent years, this index has had a large concentration represented by the *Magnificent 7* companies.

These companies represented over 20% of the index on 31 August 2026 and have been known to rise above that figure. Additionally, they represented 62% and 53% of S&P 500 returns in 2023 and 2024, respectively. So, if you weren't invested in them, you were missing out.

Despite this, many of the *Magnificent 7* companies (particularly Amazon and Tesla) do not qualify for responsible or sustainable funds and certainly don't for impact funds. Further, Meta and Alphabet have dual-share class structures that heavily reduce shareholder voting power in favour of founders, making engagement a difficult task.

This leaves ISPs with two significant questions: do we include the *Magnificent 7* in our portfolio? And, if not, is the MSCI World an appropriate benchmark to use for the mandate?

Out of 31 applicants operating in public equities, 17 used the MSCI World as a benchmark, confirming that this remains standard practice. However, most of these held significant exposure to *Magnificent 7* stocks. Disappointingly, we saw several applications with high allocations, one as high as 30%. Consequently, none of these applicants advanced to the shortlist.

Interestingly, four of the applicants chose to use this benchmark without investing in the *Magnificent 7*. Some of these were new funds without a track record, so a sceptic may say, 'easier said than done'. Is it fair to compare sustainable and impact funds against the MSCI World? Probably not. However, there are few (or possibly no) suitable alternatives for public equities that prioritise social and environmental factors (or impact on future generations).

The next most common benchmark used was the Consumer Price Index (CPI) + x%. While CPI is an appropriate benchmark for foundations in the long-term, particularly to meet their need for regular income distributions, it doesn't always correlate with performance in the equity markets. Some ISPs turned to small and mid-cap indexes (i.e. benchmarks tracking small- and medium-sized companies), but these are only appropriate if you are investing specifically in this subset of the market.

Finally, we saw the ARC peer group[17] referred to, which isn't a benchmark but is increasingly used to compare amongst peers.

[17] www2.pamonline.com/ARC-Private-Client-Indices

II CORE LEARNINGS

Benchmarks are not fit for purpose in impact *(continued)*

Public debt (bonds)

While working with a smaller sample size, there appeared to be more consistency with benchmarking in the public debt space. Most commonly, applicants used a Bloomberg Global Aggregate Index.

Interestingly, this was consistent regardless of the impact level, implying that it might currently be less difficult to track against 'global market' returns in this asset class while maximising impact.

Private markets (unlisted companies and investments)

Outside of the highly liquid public markets, benchmarking is much less developed and financial return expectations vary significantly. Instead of using benchmarks, applicants tended to set targets using fixed targets of return, internal rate of return, multiple on invested capital, or other means of articulating their expected investment returns.

There were one or two signs of benchmarking, but these tended to be due to sector or geography specific factors. This could be considered more transparent when compared to public market proposals, many of whom benchmarked against indices that did not correlate to their investable universe, as discussed above.

Trade-offs need managing

In conclusion, we are no longer riding the 'ESG boom' of five years ago. Significant questions are being raised about financial return expectations for impact-focused products.

We need to acknowledge that comparing impact products against mega-cap companies (i.e. the very largest companies) that have dominated global market growth is not a fair comparison.

Either new benchmarks need to form, or values-based asset owners need to acknowledge the long-term nature of their investments and communicate more appropriate targets to ISPs for their impact allocation.

IN SUMMARY

Benchmarking is broken

The standard global market financial benchmarks are structurally incompatible with impact mandates.

- **ASSET OWNERS:** Don't accept standard benchmarks.
- **ISPs:** Look at more appropriate benchmarks for impact funds.

Liquidity is a key risk, but does it need to be?



The primary risk discussed during assessments was liquidity risk. The liquidity of applications ranged from daily to ten years.

There is a common argument made about the level of impact you can achieve in private markets compared to public markets, not least because equity is often through new issuances, rather than buying someone else's shares of a public company. However, with private investments, investors give up a lot of liquidity, which makes asset owners uneasy.

We saw this through the application process, with only one solely private markets solution, **Octopus Capital**'s *Affordable Housing Fund*, making it onto the shortlist. This investment had a four-year lock-in and liquidity would then be available at the discretion of management.

Values-based asset owners are typically long-term investors, so perhaps we need to reflect deeply and challenge assumptions on whether we can and should commit to less liquid, potentially more impactful, investments. For a mandate seeking scalability in a winner, perhaps closed-end ten-year funds were not the right answer. However, given the focus on future generations, an argument could be made that liquidity should not have been a primary risk consideration.

ENDOWMENTS INVESTING CHALLENGE

II CORE LEARNINGS

Engagement with the process

Few applications directly engaged with future generations and young people

Promoting greater participation in investment processes was a core principle of the EIC. This was a unique investment tender process – a handful of ISPs engaged with that creatively (see below) while many applied with their most relevant existing product.

The RFP stated: *"We recognise that investment decisions made today will have the greatest impact on future generations, and those from marginalised backgrounds are more likely to be adversely affected."*

Few applications showed innovation in this area. Those that did stood out, especially those that took action prior to submitting their application:

EdenTree applied with a potential new product. They *"partnered with Green Schools Project to … [engage] directly with 70 students aged 11-17, asking where in society they would like to see more investment. Their insights have shaped our investment priorities – they emphasised climate resilience, healthcare and opportunities to empower the next generation."*

Isio created a *"…representative panel of 18–25-year-olds from across the firm [to ensure that] the voices of the next generation are heard and embedded in our approach… Through their insights, [the panel] played a pivotal role in shaping our proposed investment strategy."* The panel will be retained after the process as an employee network.

Gresham House planned to set up a *"Mission Board, comprising 3-4 individuals to ensure alignment with EIC principles – including one rotating annual seat for a FGP [member]"*. They also planned to set up a *"Future Generations Advisory Committee, made up of up to five members of the FGP… [which would] meet with the investment team at least annually."*

Tribe Impact Capital offered *"An invitation to the Future Generations Panel to join our internal Investment Committee giving young people agency and a voice, while also nurturing the future generation of decision makers in finance."* At the EIC event they confirmed they would offer a position like this even if they did not win, after being questioned on this by the FGP.

Conduit Connect proposed to work with the Centre for Innovation in Voluntary Action (CIVA) on a youth engagement initiative to complement the fund. Part of this involved plans to *"deliver an annual Youth AGM for the Fund, which will invite the Future Generations Panel and up to 100 young individuals to learn about the portfolio of investments, engage and share their views, and provide feedback on the areas of our thesis that really matter to them and excite them."*

These examples show that ISPs can explore what genuine participation might look like and open up processes that have historically been closed and opaque. This work requires time, resource, and a willingness to cede some control over outcomes. But ultimately shouldn't the people most affected by those decisions have a voice in shaping them?

The question for both charity investors and ISPs is whether participation becomes embedded in how we make investment decisions or remains an

Room for improvement on transparency

Another central principle of the EIC was transparency and bringing investment decisions into the open. Overall, applications were fairly transparent, but there was room for improvement.

For example, the RFP asked ISPs to provide at least three investments that the ISP is:

> *"…most proud of in terms of impact and the very best in your portfolio." (stars)*

> *"…least proud of in terms of impact, why you are least proud of them, and why they need to be in the portfolio." (dogs)*

This question illuminated concretely where partners' capital would ultimately go, whilst also demonstrating critical thinking and honest reflection from the ISPs.

Across all applications, 164 stars were mentioned compared to 113 dogs.

WHEB stood out because they referred directly to their pre-existing impact calculator to respond – sharing the highest and lowest scoring investees. The deep thinking and analysis had already been done. This was in-keeping with their generally very high level of transparency, for example publishing summary minutes from their Investment Advisory Committee on their website[18].

Wellington Management also answered this question comprehensively with a transparent internal scoring system. This was consistent with Wellington's impressive approach to impact measurement and management.

Castlefield engaged deeply and transparently with the question of why less impactful investments need to be in the fund. They also appeared to have transparent practices throughout the organisation.

From the shortlist, **WHEB**[19] and **Triodos Investment Management**[20] publish a full list of the holdings in their relevant funds accessibly on their websites. This is not easily replicable for all applicants. For instance, some asset classes or types of ISPs aren't able to provide this level of transparency for confidentiality reasons. However, for those that can, this shows impressive transparency.

Disclosing the information above is hard during a competitive tendering process, with limitations on pages/word count for RFP responses. But given a part of the sustainable investing backlash was a reaction to perception of greenwashing and over-claiming in the industry, there is clearly more ISPs can do to present a realistic picture of the impact their investments contribute to.

[18] https://foresight.group/strategies-funds/public-markets/sustainable-impact-strategies/fp-wheb-sustainability-impact-fund/

[19] www.guinnessgi.com/funds/fp-wheb-sustainability-impact

[20] www.triodos-im.com/funds/triodos-future-generations-fund/_index_

III CONCLUSIONS

The winner



At the EIC event, **Triodos Investment Management** received both the primary recommendation from the FGP as well as the highest score in the audience vote, making them winners of the EIC process with their Future Generations Fund.

Triodos Investment Management is a pure-play impact investor with a global reach and is a wholly-owned subsidiary of Triodos Bank, which has been providing sustainable and ethical financial services in Europe for over 45 years.

The Triodos Future Generations Fund is a public equities fund established in 2022. It applies UNICEF's Child-Lens Investing Framework.

The fund holds 35-40 small to mid-cap companies, focusing on: child health and survival; access to education; protection from violence and exploitation; environment and climate; and equality and inclusion. At the time of the event, the fund had approximately £87 million assets under management.

In their recommendation speech, the FGP said:

"We wanted an ISP that does not contribute harm such as investing in arms, war, and maltreatment of employees. We instead were looking for an ISP that contributed to future generations… [Triodos Investment Management] met these expectations. They were transparent and showed clarity in their strategies, especially in a way for us to understand, as well as handling our challenging questions well which gives us more confidence in them.

Furthermore, they were willing to comply with our restrictions… They were engaging when presenting and overall sound like they would make a valuable impact in the future… Across all three metrics – impact on future generations, organisation credibility, and financial investment performance – Triodos was the most well-rounded."

Throughout the process, partners and the FGP were impressed with **Triodos Investment Management** for their:

- Clear and authentic communication: lack of greenwashing, honest answers to questions and limited use of jargon
- Close fit with the mandate: explicit future generations focus and meeting all exclusions in the RFP at the group level
- Commitment to impact: impact analysis before financial analysis in their investment process, which is unusual
- Financial performance: reasonable track record given the landscape of similar funds
- Organisational alignment: recognised and long-standing commitment to sustainable finance

Overall, **Triodos Investment Management** provided a well-rounded application that prioritised long-term impact on future generations alongside reasonable financial return, making them a worthy winner.

Recommendations

1.

Engage directly on difficult questions and open up decision-making

FOR ASSET OWNERS:

Be explicit and uncompromising on exclusions.

If you want to exclude all weapons and armaments – not just controversial weapons – state this clearly and verify compliance. Don't assume weapons or defence exclusions cover everything. This can apply to other exclusions as well.

Embrace uncomfortable conversations.

Such as how your investments may relate to conflict, genocide, and breaches of international law.

Open up investment decisions.

Consider the role that beneficiaries, those with lived experience, and other stakeholders can play in your investment processes. Participation does not replace trustee responsibilities. But opening up investment conversations can challenge assumptions and strengthen alignment between investments and asset owner missions. It can also push investors beyond their comfort zones, help bring accountability to decisions, and make conversations more accessible for everyone.

FOR ISPS:

Address client and societal concerns, even when they're difficult and challenge industry norms.

When clients explicitly request consideration of conflict and genocide, for example, respond substantively. If you can't deliver on these themes, explain why honestly rather than ignoring them. The investment industry must stretch beyond its comfort zone to meet the needs of asset owners.

Build participation into your investment process, not just your pitch.

Explore how you can incorporate affected communities in decision-making, demonstrate how this will work in practice. Look at embedding participation structurally through advisory boards, investment committee seats, or regular stakeholder forums. Make investment more accessible for everyone, through clearer language and less jargon.

ENDOWMENTS INVESTING CHALLENGE

2.

Acknowledge trade-offs and be explicit about priorities

FOR ASSET OWNERS:

Recognise that trade-offs are inevitable – and decide what matters most.

The "perfect" investment solution that maximises impact and financial return, while minimising financial risk, does not currently exist.

However, there are lots of opportunities to invest with impact and you can effectively balance these three factors. Having discussions that acknowledge these trade-offs is incredibly valuable.

FOR ISPS:

Get to the bottom of your client's priorities – don't assume it's only financial return.

Many asset owners now want to think about how their capital aligns with their missions.

Speak with them to understand what impact priorities they seek and what trade-offs they may be willing to make.

Move beyond SDG mapping to genuine impact measurement.

Using the SDGs as a labelling framework is not the same as measuring and managing impact.

Adopt recognised frameworks like the five dimensions of impact or the Operating Principles for Impact Management (OPIM) and consider third-party verification of your impact claims to build credibility.

3.

Rethink assumptions on benchmarks and liquidity

FOR ASSET OWNERS:

Don’t expect impact investments to match mainstream market benchmarks.

If you exclude high-carbon or extractive companies that are included in indices like the MSCI World, accept that your returns are likely to look different. Set appropriate expectations and communicate realistic targets to ISPs based on your actual investable universe, not global market indices

Consider your liquidity requirements in light of your mission.

If you're genuinely operating as a long-term investor, challenge whether you need daily or quarterly liquidity across your entire portfolio. Consider what portion of your investments could be committed to longer-term, less liquid investments that may deliver higher impact.

FOR ISPS:

Be honest about benchmark limitations and propose realistic alternatives.

If you're benchmarking an impact fund against the MSCI World while excluding some or all of the Magnificent 7 companies, acknowledge this openly and explain why you've chosen it. Better yet, propose alternative benchmarks that actually reflect your investable universe. Help clients understand what "reasonable returns" actually means for impact-focused funds.

Design products that balance impact ambition with practical liquidity needs.

Recognise that many asset owners are constrained by liquidity requirements, even if they're philosophically long-term investors. Rather than offering only ten-year closed-end funds or daily-traded equities, innovate around semi-liquid structures or hybrid models. Explain liquidity trade-offs clearly so clients can make informed decisions.

ENDOWMENTS INVESTING CHALLENGE

4.

Align organisational values with investment values

FOR ASSET OWNERS:

Prioritise organisational alignment, including pay gaps, when selecting ISPs.

Evaluate ISPs’ ownership structure, governance, and operational values. Prioritise B Corp certification and ownership/governance protections that prevent commercial interests dominating values. Push all ISPs to disclose their gender, ethnicity, and other pay gaps, and encourage meaningful progress to close them.

Push for transparency from ISPs.

Ask ISPs to disclose not just their best investments but their worst – and why those holdings remain in the fund. Request full lists of holdings where possible. Challenge ISPs who only showcase success stories. If they claim rigorous impact management, they should be able to demonstrate critical reflection and trade-offs. Use transparency as a proxy for integrity and impact credibility.

FOR ISPS:

Be transparent about your organisational structure.

Clearly explain your ownership model, governance protections, and how you balance values with commercial pressures. Consider B Corp certification or similar verification to give clients confidence in your organisational alignment. If you already have areas of ownership and governance that align with charities, communicate that clearly and how you are different from the mainstream.

Report all pay gaps voluntarily and work towards meaningful progress.

Don't wait for legal requirements – start working on reporting your gender, ethnicity, and other pay gaps, unless you employ a very small number of people. Publish multi-year data to demonstrate trends and explain what actions you're taking to close gaps. Even very small ISPs should disclose their policies.

Be transparent about your fund – including the difficult bits.

Publish full holdings lists where possible. Disclose your least impactful investments and explain the trade-offs. Transparency builds trust, particularly in an industry facing greenwashing accusations. Clients need to see that you're critically reflective about your impact claims, not just promoting your greatest hits.



III CONCLUSIONS

Next steps

Now is an important time to ask inconvenient questions. AI, social media and defence are all booming investments but are unlikely to align with charitable missions. Should asset owners continue investing in them? When the market can't deliver matching financial returns for investments that prioritise positive impact, which should we be willing to compromise on: impact or return? And, is financial growth the primary purpose of charities, endowments and foundations?

The EIC has shown asset owners can work collectively and transparently. But the work is far from done.

EIC partners and supporters will continue working to align our investments with our charitable missions. We will keep exploring the balance between impact, financial risk and financial return. The perfect solution doesn't exist, but we can get better at understanding trade-offs, communicating them honestly, and making intentional choices about what matters most.

We will push for greater transparency across the endowments and foundations sector. Where is charity capital invested? What impact is it having? Asset owners should be able to answer these questions clearly and publicly.

We will promote the ISPs who performed well in the EIC process. High-quality and impactful investment options exist – they need greater visibility and capital to scale their impact.

Perhaps most importantly, we will continue working to demystify finance and investment. We are committed to opening up investment conversations, making the language clearer, and challenging the assumption that only financial professionals can have a say. We will keep asking how investment decisions can include those most affected by them.

The social and environmental challenges we face have arguably intensified since we started this process. We look forward to working with ISPs, asset owners, and the investment industry more broadly to respond to the Endowments Investing Challenge.



The investment basics

Fiduciary duty	The responsibility of charity trustees to act exclusively in the best interests of their charity in the management of its affairs and the application of its property to further the charity's purposes for the public benefit.
Share / shares	A unit of ownership in a company. If you own shares, you own part of the company.
Shareholder	Someone who owns shares in a company.
Stock market / stock exchange	A market where shares and other publicly traded investments are bought and sold.
Listed company	A company whose shares are available to buy and sell on a public stock exchange. Anyone can buy or sell them.
Private markets	Investments that are not traded on public stock exchanges, such as private equity, private debt, infrastructure and some property investments.
Unlisted companies / investments	Companies or investments whose shares or interests are not traded on a public stock exchange.
Emerging markets	Countries whose economies and financial markets are still developing relative to established "developed" markets. Definitions for emerging markets vary between ISPs.
Dual share-class structures	A structure where different groups of investors hold different classes of units or shares in the same underlying company or fund. The classes can have different features, such as different voting rights.
Equities	Investments representing ownership in a company. Investors can make money through increases in the share price and dividends but can also lose money if the company falls in value.
Bond	A way of lending money to a company, government or other organisation. The borrower normally pays interest and repays the original amount at an agreed date.
Public equities	Investments in companies that are listed and traded on public stock exchanges.
Public debt	Money lent to companies, governments or other borrowers through bonds or similar instruments that can usually be traded in public markets.
Multi-asset	An investment approach that combines different asset classes, such as equities, bonds, property and private markets, into one product/fund.
Fund	A pool of money collected from investors and managed together according to a defined investment strategy.
Fund of funds	A fund that invests in other investment funds rather than mainly investing directly in individual companies or assets.
Closed-end fund	A fund that generally has a fixed lifespan and does not allow investors to withdraw their money whenever they choose. Private equity funds are often structured this way.
Social outcomes contracts / social outcomes partnerships	Arrangements where investment or funding is provided to support activities intended to achieve measurable social outcomes, with payments or financial returns linked in some way to those outcomes.
Index	A group of investments designed to represent a particular market or part of a market. An index can be used to track performance or as a benchmark.
Investable universe	The full set of investments that an investment service provider could potentially invest in after considering factors such as geography, asset class, size, liquidity and exclusions.

Impact and sustainability

Impact investing	Investing with the intention of generating positive, measurable social or environmental impact alongside a financial return.
Environmental, social and governance (ESG) factors	Environmental, social and governance issues that an investor may consider when assessing an investment. These factors can affect an investment's financial performance and its wider effects on people and the planet. There are many topics under each heading, but common examples include climate change (E), workers' rights (S), and board governance (G).
Sustainable investing	Investing in ways that take environmental, social and/or governance (ESG) factors into account, and often try to contribute to, or be aligned with, more positive outcomes. It is a broader term than impact investing and does not necessarily mean that creating positive impact is the primary objective of the product/fund.
Impact intentionality	The intention to deliberately create positive social or environmental impact through an investment, rather than impact simply being an accidental by-product.
Additionality	The difference an investor or investment makes compared with what would have happened without that investment or intervention.
Thematic / thematic investing	Investing around a particular theme or issue (or set of themes/issues).
Financial inclusion	Ensuring people can access useful, affordable financial products and services such as bank accounts, credit, insurance and payments.
Community ownership	A model where assets or businesses are owned and/or controlled by members of a community, rather than solely by private investors or distant owners.
Pay gap / pay gap reporting	Pay gap reporting measures the difference in average earnings between groups of employees, such as women and men, across an organisation. It is different from equal-pay analysis, which asks whether people are being paid differently for the same work.

Investment returns and performance

Financial return / return	The money gained or lost from an investment over a period, usually expressed as a percentage and often, though not always, reported on an annualised basis. It can come from increases in value, interest or dividends.
Financial risk / risk	The possibility that an investment does not perform as expected, including losing money or money not being available when it is needed. Financial risk can come from several sources, including changes in markets, borrowers failing to repay money, currency movements, concentration in particular investments, and difficulty selling an investment to get money when you need it (liquidity).
Internal rate of return (IRR)	A measure of the annualised return on an investment that takes into account the timing of money invested and money received. It is particularly common in private markets.
Multiple on invested capital (MOIC)	The total value received or remaining from an investment divided by the amount originally invested. For example, 2x means £2 of value for every £1 invested. It is particularly common in private markets.
Fixed return target	A stated financial return that the investment service provider aims to achieve, often expressed as a percentage per year.
Inflation-linked target	A financial return target linked to inflation as measured by an index like the Consumer Price Index (CPI) or the Retail Price Index (RPI). For example, "CPI + 3%" means aiming to achieve a financial return three percentage points above inflation each year.
Consumer Price Index (CPI)	A measure of how the prices of a basket of goods and services change over time. It is commonly used to measure inflation and often used in financial return targets for investors.
Benchmark	A standard used to judge financial return performance. It is often an index representing the market an investment is intended to perform against.

ENDOWMENTS INVESTING CHALLENGE

IV GLOSSARY

Specific indices and market terms

MSCI World Index	An index tracking large and mid-sized companies across developed countries. It covers approximately 85% of the total value of company shares that are available for investors to buy and sell in each country.
S&P 500	A widely used US stock market index tracking 500 large US companies.
Bloomberg Global Aggregate Index	A widely used global bond index covering investment-grade fixed income markets across major developed and emerging markets.
Magnificent 7	A commonly used nickname for seven very large US technology and technology-related companies whose share prices have had a particularly large influence on US stock market performance. The companies are Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA and Tesla.
Mega-cap companies	The very largest publicly listed companies, generally measured by their market value (typically having capitalisation of $200 billion or more). Market value is calculated by multiplying the share price by the number of shares in issue.
Small and mid-cap companies	Moderately sized listed companies, generally measured by their market value (typically having capitalisation of $250 million to $2 billion). Market value is calculated by multiplying the share price by the number of shares in issue.

Liquidity and access to money

Liquidity	How easily and quickly an investment can be turned into cash without having to accept a significant reduction in price.
Liquidity risk	The risk that an investment cannot be sold or redeemed quickly enough, or without taking a significant loss in value.
Semi-liquid	An investment that can be withdrawn or sold periodically, but not necessarily whenever the investor wants. For example, it might allow quarterly withdrawals subject to notice periods or limits.
Lock-in	A period during which investors are restricted from withdrawing their money.

Investment practice and influence

Engagement / active engagement	When an investor actively communicates with companies, investment service providers, policymakers or other organisations to encourage change or better practices. It is a common practice by investors focused on impact and sustainable investing.
Escalation (in the context of engagement)	Taking stronger action when engagement is not producing enough progress. For company engagement, this might include voting against management, filing shareholder resolutions, collaborating with other investors or ultimately selling the investment (divesting).
Exclusion(s)	Rules that prevent an investor from investing in certain companies, sectors, activities or countries because of ethical, environmental, social or other concerns.

Specific social and environmental themes

B Corp(s)	Companies certified by B Lab against standards covering social, environmental and governance performance, transparency and accountability. Certification is independently assessed and verified.
International law	The legal responsibilities of States in their conduct with each other, and their treatment of individuals within State boundaries. Its domain encompasses a wide range of issues of international concern such as human rights, disarmament, international crime, refugees, migration, problems of nationality, the treatment of prisoners, the use of force, and the conduct of war, among others. It also regulates the global commons, such as the environment, sustainable development, international waters, outer space, global communications and world trade.
Genocide	As defined by the 1948 UN Genocide Convention, genocide means any of the following acts committed with intent to destroy, in whole or in part, a national, ethnic, racial or religious group, as such: • Killing members of the group; • Causing serious bodily or mental harm to members of the group; • Deliberately inflicting on the group conditions of life calculated to bring about its physical destruction in whole or in part; • Imposing measures intended to prevent births within the group; • Forcibly transferring children of the group to another group.
Controversial weapons	Weapons considered especially harmful or unacceptable because of their nature or effects. The term often includes weapons such as cluster munitions, anti-personnel mines, and sometimes nuclear weapons; exact investment definitions vary.
Conventional weapons	Weapons that are not nuclear, chemical or biological weapons. They include firearms, artillery, tanks, aircraft and conventional missiles.

ENDOWMENTS INVESTING CHALLENGE

Friends Provident Foundation

AN INCONVENIENT YOUTH

How uncomfortable questions helped move £20m of charity investment.

The Endowments Investing Challenge was a public tender process to find a new investment service provider for UK asset owners wanting to move their money to a fund more aligned with their missions. The aim was to bring investment decisions into the open through transparency, participation and collaboration.

This report summarises our findings and offers recommendations to help asset owners align their investments with their missions and help investment service providers to improve their offering.

endowmentsinvestingchallenge.com



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