



Responsible Asset Allocator Initiative (RAAI) at the Fletcher School

9th RAAI Roundtable

KEY TAKEAWAYS

Philanthropic Endowments and Foundations Roundtable

Research by the Responsible Financial Benchmarking
Lab (RFBL)*



Scott Kalb, Director, RAAI
Delilah Rothenberg, Director, PDI

June 23, 2025, 2:00 – 5:00 pm
Virtual Meeting

* The RFBL was renamed the Responsible Climate Asset Allocators Lab (RCAL) in Feb 2026

Philanthropic Endowments and Foundations Roundtable June 23, 2025

Key Takeaways

Introduction and background

The global investment landscape is being reshaped by compounding systemic risks—particularly those related to climate change, social fragmentation, and political instability. In this context, foundations and endowments face both a challenge and an opportunity: how to allocate capital in ways that are resilient to these risks and aligned with their missions.

This roundtable convened leading foundation and philanthropic endowment stakeholders to explore how benchmarks, capital market assumptions, and investment governance practices can evolve to better price externalities, achieve financial returns, and support long-term, mission-aligned investing. Discussion also focused on the impactful role philanthropy can play in addressing challenges, both from programmatic as well as investment-oriented lenses.

Takeaways from the discussion

The conversation among foundations and endowments participants underscored a deep and growing concern: traditional financial analysis tools and incentive structures are inadequate to protect long-term capital or support mission-aligned outcomes in a world shaped by systemic risks. The discussion revealed a readiness to explore more innovative approaches—but also a need for clearer pathways, practical tools, and peer support to move forward.

Benchmark constraints as mission integration barriers

Participants emphasized that current benchmarking practices directly limit their ability to invest in line with their missions. Many foundations described being “boxed in” by policy benchmark mandates that restrict deviation from public market indices and do not reflect externalities. These constraints are misaligned with the long-term, systemic nature of the issues foundations care about—particularly climate, racial equity, and community resilience.

There was consensus that traditional benchmarks mask real long-term risks while reinforcing short-term performance targets. This not only undermines sustainability goals but also poses financial risks as portfolios remain exposed to climate and social shocks. It was agreed that

reforming internal benchmarking policies may be one of the most immediate levers to align fiduciary duty with long-term mission outcomes.

Need for demonstrated and practical alternatives

Multiple participants expressed fatigue with conceptual conversations and emphasized the need for actionable tools and working models. There was strong interest in pilot projects that demonstrate effective outcomes.

Foundations called for a portfolio-level shift in how risk and return are modeled—moving beyond “green asset picking” to holistic allocation frameworks that reflect physical risks, transition risks, and social risks. Some advocated for adapting models from other sectors, such as catastrophe risk modeling in insurance, to the investment world to reflect plausible climate scenarios.

Misaligned incentives for consultants are a common pain point

Participants shared frustration about the over-reliance on investment consultants who are not incentivized to recommend forward-looking, climate-aware changes. Several noted that their consultants do not proactively present climate-aware benchmarks or scenario modeling, and that they must actively request such analysis—often without having the internal expertise to know what to ask for.

Some described a governance dynamic in which Boards defer to consultants by default, creating inertia against experimentation or sharpening understandings of fiduciary responsibility. The discussion reflected that there is a tool and an incentive gap—while technical solutions exist, the structural incentives of consultants and the pressures of short-term performance reporting remain a barrier.

Scenario analysis consideration

Several foundations use scenario analysis tools for climate stress testing, but few have incorporated them into Strategic Asset Allocation (SAA). Participants noted that climate stress testing is often treated as a compliance or reporting tool rather than a driver of real investment decisions. There was interest in evolving from single-scenario narratives to probabilistic, stochastic models that could better inform investment committee decisions. It was felt that scenario analysis should be integrated into core SAA and decision-making processes—not just used as a reporting or ESG exercise.

Participants expressed concerns that current climate-aware benchmarks have high tracking error and concentration risk, making them difficult to adopt without Board education and stronger evidence support. Concerns were also expressed about the efficacy of customized benchmarks

and their tendency to focus on exclusion and divestment, with no real impact on improving climate change outcomes.

Liquidity and systemic risk interconnection

Foundations highlighted how systemic risks are beginning to affect liquidity and asset price assumptions—particularly in real estate and infrastructure. The housing and insurance crisis in some regions was cited as an example of a real-world risk transmission mechanism that could impact mortgage-backed securities, municipal bonds, and real assets.

Some noted that systematic risks are not only about climate - but they also include geopolitical instability, rising inequality, and social unrest, all of which can lead to asset price declines or local economic collapse. Participants expressed concern that current frameworks don't support factoring in non-linear risk accumulation or long-horizon liquidity crises.

Collective action as lever for influence

There was a strong sense that no single foundation or endowment can shift market dynamics alone—but that collective demonstration can move norms and policy. Participants emphasized the need for voluntary, collaborative action to prototype new tools and approaches that can be scaled and standardized. There was support for building open-source, shared infrastructure (e.g., climate modeling tools, benchmark templates, fiduciary training) that could reduce replication and lower entry barriers for solutions.

Field-wide progress may hinge on coordinated, cross-institutional initiatives that turn shared concerns into shared strategies. This roundtable revealed that foundations and endowments are eager to move beyond reactive ESG screens and into proactive strategies that reflect their values and responsibilities in a world facing systemic risks. However, they need clearer examples of how to integrate these approaches into policy benchmarks and governance, technical tools that are accessible to smaller teams, and peer support to build internal confidence and external legitimacy.