Season One: Episode One
Lessons in Climate Investing: The Journey of Esmée Fairbairn Foundation
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Willis Wilson: The most important investment insights don't always come from charts or reports. They come from a good conversation.

Welcome to Cambridge Conversations, a podcast from Cambridge Associates, where we talk about what's really going on in institutional investing: the challenges, the opportunities, and the people making decisions that matter.

I'm Willis Wilson, an Investment Director here at CA. In my time working with private clients and institutions one thing has become clear: investing isn't just about the numbers. It's about relationships, trust, and the conversations that shape big ideas.

And that's what we want share with you. Each episode, you'll get a seat at the table where these conversations are taking place. The ones where investors and managers wrestle with new ideas, rethink, risk, and push the boundaries of investing. Let's get started.

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Willis: This episode, we're diving into climate investing. Achieving net zero isn't about lofty targets, it's about allocating capital, aligning partners, and taking action. Now, this isn't without challenges, especially as the context continually evolves, but the goal is progress, not perfection.

Joining us for this conversation is Simon Hallett, Head of Climate Investing at CA and Dame Caroline Mason, Chief Executive Officer at the Esmée Fairbairn Foundation. We've been working alongside Esmée for more than 25 years, supporting their mission to restore nature, build a fairer future, and strengthen communities.

It is an absolute pleasure to have you both with me here today. To kick things off, Dame Caroline Mason, would you mind telling us a bit about your background and your work at Esmée?

Caroline Mason: So, my background was actually in financial services way back in the day. When I was working for a private bank, I remember sitting around a table trying to create this new global service that they wanted, which brought together their banking business, their trust business, and their yachting business. And I suddenly thought, what am I doing spending my time trying to do this? I'm working 14 hours a day making rich people richer.

And that was when I left and set up a very small advisory firm. I then moved to a small retail bank here in the UK that only lends to charities and social enterprises. I then arrived at Esmée having absolutely no experience of philanthropy at all. I've been here for 12 years, and I think it was a sort of quite reactive, a bit, sort of, you know, we don't have to think about our privilege and our power and all the resources that we have, as well as money. And the other thing that I found is that there was no link between investments and the grant making and the mission.

So, we could be spending 10 million pounds a year in trying to look at biodiversity, for example, but we had a hundred million invested in the very things that were causing that biodiversity loss. So, I remember going to the board saying, this is just not right. Had a lot of pushback from that.

We have an endowment of 1.3 billion, so we had enough there, and we give out about 50 million pounds a year. We have about a sort of 60 to 70 million allocation to kind of social investing and impact investing. So, it wasn't as if we didn't have experience of how to embed impact into investment decision making, it just wasn't translating into the endowment. And that was the journey to kind of shift that where we work really closely with Cambridge on getting that done.

Willis: Wow. That was some great detail — linking grant making with actual investing, really embodying and living the mission of the Esmée Foundation.

Simon, can you just give a brief introduction and talk a little bit about your role here at CA?

Simon Hallet: Yeah, sure. I'm Head of Climate Strategy at Cambridge Associates. I've been at CA for 20 years. I've always worked with endowments and foundations and six, seven years ago, I had an “aha” moment where I realized that climate change — which is happening and will continue to happen and we are driving it — is going to be the dominant factor in ours, our children's, and our children's children's welfare the next multiple decades.

And we're at a pivotal time where humankind can go down different pathways: pathways that can lead to a new kind of economy, a cleaner environment, and sustaining and preserving all the goodness that we have around ourselves, or we can go down the really bleak path, where we consume the earth's resources, we create famine, we create typhoons, we create hurricanes. So, I had that “aha” moment alongside, I think, a lot of my clients, and I turned to thinking about for my role as an investor: how do I contribute to something good, which involves, of course, doing the best for my clients.

I pivoted within Cambridge five years ago from my general portfolio role to an increasingly climate-focused one, where my role is to drive from a strategic perspective — how we think about how climate change impacts investors and how investors themselves can respond and follow their inclinations and mission to either simply manage the risks of that and protect your portfolio to the extent you can or actually make a positive contribution to mitigating climate change.

Willis: Caroline, what is the exact mission of Esmée Foundation?

Caroline: We have three goals. The first we call our natural world, which is all of our work in nature. So, we look at fishing, farming, water, land, so that whole ecosystem. The second thing that we do is a lot of social justice. So, we fund a lot of campaigning organizations around gender justice, racial justice, migrant justice, and children and young people's rights.

And then, we have a third element, which is all about community regeneration. So, we work and invest and fund a lot of co-ops and social enterprises in communities where these communities are very, very poor. So how do you regenerate those communities using new economic thinking, such as circular economy models?

Willis: That is beautiful. I would love to know more about you all's relationship working together. 'Cause Caroline, you mentioned there was a big unlock that happened through the partnership, and so, it feels like when you came on board, the alignment between investing in grant making became very clear, and so that would be really good to unpack.

Caroline: I realized when I arrived, the trustees and the investment committee were like two separate companies. So, Cambridge had never presented to the full board ever, and they didn't really understand that they were ultimately responsible because our relationship with Cambridge was an advisory relationship, not a discretionary relationship. And the investment committee was run almost like a different company. And there was absolutely — we didn't even have exclusions actually when I arrived — so absolutely, completely separate. And I think I was really clear that I didn't think that that was okay. And again, got a lot of pushback from trustees at the time, but my chair kind of at one point said, okay, I get your logic, but if we wanna leverage impact, we can't do that.

If we're undermining our impact, our effect will be net-negative. And that's when we started to be able to have different conversations with Cambridge. And one of the things that I agreed with my chair was that Cambridge would do an exercise with interviewing all the trustees on beliefs and principles, which I think Simon you ran, didn't you?

Simon: Yes, yes.

Caroline: And so that was a real unlocking moment because a different set of trustees were allowed to talk about it. And then the other unlocking moment was when Simon said at a board meeting: if as a long-term investor you are not considering climate change as a fundamental risk, you are being a negligent investor.

Simon: Oh yeah. Yeah.

Caroline: I think it shocked the trustees to such an extent. Especially the non-IC members actually, who then went, oh, I don't know about this.

So, I've always been eternally grateful to Simon because if, you know, I'd said it, it would not have had the impact that you had.

Simon: Yeah. Everything's part of a dynamic process, and to me, that's inherently part of long-term investing. And actually listening to Caroline talk about the mission of the foundation and what they were trying to do and how the social investing was working, it was clear to me: I didn't want the main investment portfolio to be part of the problem.

Surely, that could be part of the solution too, but in a different way. We both started thinking differently — a bit more broadly — about each part of the portfolio, the managers in the portfolio, and how those investment managers saw the world, what impact did they have on the world, and how did they think about what it meant for them and their long run returns.

And there was another feature of the portfolio at the time, which was the foundation was building out a very substantial and quite distinctive private investments program with a big emphasis on venture.

What this highlighted really was this potential for disruption and innovation, a disruption of existing systems and businesses, which we had to build into thinking about the portfolio's long-term potential because you didn't want to be benefiting from innovation over here, where on the other hand, you were still investing in those businesses that were being undermined. They were the businesses of the past. But the realization it's this new capital, the innovation, that enables us to sort of focus intentionally on some very specific fields and really fund some new ideas, which you can really only do with privates because you're contributing net-new capital, and you are starting or supporting new businesses.

This all kind of foreshadowed a little bit the climate strategy that we have now, which is holistic. We were building towards this, sort of piece by piece.

Willis: That's some real balance between mission and responsibility as an investor. I wanted to talk a little bit about how you go about identifying these opportunities and what – when you think about a manager that fits into the Esmée Fairbairn portfolio – what do they look like and what are some, some attributes you look for in a manager?

Caroline: I would say we've got to a point now where we find something or you find something, and we have conversations together about it, and I think that's a really, really healthy kind of approach to it. But that's not where we started.

Simon: No, but you know what? If you're building a portfolio that's gonna be a little bit different and a bit more ambitious on with a long-term horizon, that element of partnership's absolutely essential because we need to try and do our best to reflect and embody the goals and the organizational personality of the foundation in how we're identifying managers.

And in turn, the foundation needs to be open and in partnership with us so that we understand where they're coming from, and we can test off ideas with each other.

Caroline: And then also, the fact that I think is one of the defining factors about our relationship is that there's no hubris in it. You know, we don't say, well, "I know more than you about this" and "you know more than me about, you know…" It's a genuine partnership and a collaboration — a collaborative model where there's been quite a lot of trust built up, and we can be very honest with each other.

Simon: And this is where the partnership broadly with the investment committee has been important, with a sort of collective understanding that we don't compromise on return, and we hold each other accountable for that.

But sometimes we accept that we might be taking different kinds of risks, maybe unfamiliar risks. There's an assumption that doing this new thing over here, we're taking more risk. I think in some cases we're probably taking less, but it's in an unfamiliar form. That's very easy to say, ah, no, I don't think we're gonna do that because we haven't done that before.

And I think in the long run that gets you true diversification — that builds you a resilient portfolio — because if you are only worrying about what everybody worried about for the last 10 years, then I don't think that's the way to build a portfolio for the next 30.

Willis: One thing that's been a resounding point in this talk has been the power of partnership and how having each other has made this work… I don't wanna say easier, but it's made the challenges addressable. When you guys think about climate investing, climate impact — what are some of the most common barriers, and how can we learn from you all to help other clients overcome these barriers and begin investing in this way?

Simon: I am going to volunteer a barrier to climate investing, which is I think a very important and serious one, which we need to overcome, and I think it's held back investor climate action.

At its simplest, I think we've made it too complicated, and I've observed organizations spending two years debating whether or not they could set a climate target. So, I really believe that it's time for a sort of pragmatic reset in thinking about investor climate action — to maybe just stop trying to make the perfect the enemy of the good and start doing things today.

Caroline: yeah, I think you're absolutely right, Simon. I would also say that culture and norms run so deeply and strongly and changing those norms and that culture and that thinking is really difficult.

And I think what happened is that through that combination of the fact that we were already experts in social investing, the fact that Simon came in and gave people the opportunity to kind of really explore this whole area started to shift the way people think. 'Cause we could tie those two things together. If we could say, well we already do this kind of social investing… is there a way that we can start thinking about that kind of investment strategy, taking into account the beliefs and the principles that Simon had put in place?

And that began to change the culture, and I think that was one of the key things that happened. It was more of a philosophical experience that people had — I can think differently about this. I think it was Kate Lampard, said, what we've learned is that actually these things aren't really as scary as we thought they would be.

Simon: The consensus, if you like, until now has been set the target of 2050, oh by the set an interim target for 2030. What are you going to do now? Well, let's collect some more data. It's too late for that. You know, it was 10 years ago, we might ask to collect some more data, but now we actually need to be doing things because, as long horizon investors, we should be listening to the voices of our children's children.

You know whether we're managing money for family or for an endowment, we don't really have more time to be debating the perfection about reporting.

Willis: Something I would love to learn a little bit more about is the future, specifically the future of climate investing at Esmée and your perspective on the future of climate investing broadly and where there are big opportunities.

Caroline: We are working on two things that I am really, really, really excited about. They're linked to climate, but they're not necessarily entirely focused on climate. The first one is outcomes and investment strategies that are focused on what is going to change for the better as a result of this investment.

And so, we're looking at thematics — so the food system would be an example, where we know a lot about the food system. It's one of our key areas: food, farming, fishing, that whole ecosystem. So, what we've done with the help of Cambridge is track across the full spectrum of different investment types, all of the different investments that we've made to support a transition to a better food system.

And it goes from grant making to social investment, blended finance, underwriting, to funds, specialist funds, all the way through to our venture. So, we've now got this map, if you like, with actual real investments in it that shows how you can potentially create — over time — an investment strategy working collaboratively with different types of instruments to shift things.

So that's one thing I'm really excited about.

Willis: Simon, something I wanted to ask you about was the actual process of implementing this in a portfolio. So, let's say you're starting from nothing, and you want to bring this to your investment committee, your board. What's the actionable process one could take to actually begin investing?

Simon: I would suggest agree the right objective, and the right objective is to use the way you invest the portfolio to drive real world change in emissions. So, get the objective right.

Next one, adopt a set of principles to guide how you do this because I don't think it should be about quantitative targets because you'll be taking all sorts of different kinds of decisions, and you want a framework that you own — they need to be your principles.

Once you've got the right target, you've got the principles, that's when step three is take an inventory of your portfolio: know what you own, certainly from the biggest positions downwards. And for each of those investments, think what's the appraise, what your manager's contributing and think, what's my climate thesis for that manager, what could they be doing, and what are they doing?

So, I think that gives you this really solid base, you know. Set the right objective. Agree some principles that you all buy into. Appraise the portfolio and say, well, what's the tools we've got?

And then it's really prioritization: What are we gonna do next year? What do we need to spend some more time on? And I highly recommend setting goals that are really practical, actionable goals rather than metric goals. So rather than saying, “We wanna bring down our portfolio emissions by X percent, by such and such a year,” say “In 2026, we're going to do due diligence on at least three climate solution funds, or three renewable infrastructure funds” or something like that.

And so, you review that at the end of the year. Okay, we did what we said we'd do, and we made a difference. So that's how I'd say to get started.

Willis: This has been an absolute pleasure. Dame Caroline Mason, Mr. Simon Hallett, thank you so much for joining me today on Cambridge Conversations.

Simon: Thank you.

Caroline: Thank you very much, you’ve been a remarkably lovely host.

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Willis: As you can see, there's no one size fits all strategy, whether it's through manager selection, active engagement, or allocating to climate solutions. The most important part is to just start.

If you wanna learn more, please visit us at cambridgeassociates.com/cambridgeconversations, or check out the show notes. If you like what you're hearing, leave us a review and share the show with your friends and colleagues.

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Thank you so much for listening and being part of the conversation. Until next time.