



Integrating Sustainable Development into Investment Policy

Impact on sustainable development is most reliable when you have found the best ways to articulate, agree on, and promote your impact goals as an integrated part of your investment strategy. A common way for institutional investors to do this is to integrate your SDG goals into your Investment Policy Statement, or IPS. The IPS is designed to be a strategic guide for how the investor will **actively manage** the investment process. By integrating sustainable development goals into your IPS, you can help assure the same rigor around managing impact goals as investment goals.

There are a number of places you can integrate goals for impact, depending on the components of your IPS. We adapted this chart from one found in Trillium Asset Management's guide: "Applying Mission Focus to Your Investment Policy Statement through ESG Investing."¹

Guide to Integrating Sustainable Development Goals Into Investment Policy Statement		
TOPIC	DEFINITION	TO INTEGRATE:
Statement of Investment Philosophy	Provides a review of key thoughts that guide the overall purpose of the investment program or the institution	Include explicit mention of sustainable development goals and desired outcomes
Delegation of Responsibilities	States who is responsible for various aspects of investment management and review, reporting, and monitoring	Include how research, advocacy, and monitoring is conducted by internal and external team to inform and align with sustainable development goals
Capital Allocation	Outlines amount of capital, sources, and spending approach	Articulate if and how source of capital affects the type of impact sought and any spending goals for specific SDG Outcomes
Financial Guidelines and Objectives	Determines investment objectives and the appropriate diversification of assets, including the target mix of equities, fixed income, and cash equivalents	Allocation targets may be influenced by specific SDG Outcomes the organization is targeting

¹ Source: https://d3n8a8pro7vhm.cloudfront.net/intentionalendowments/pages/397/attachments/original/1521129852/IPS_Applying_Mission_Focus.pdf?1521129852

Impact Guidelines and Objectives	Outlines the specific impacts targeted by investment	Although this is the specific section in which sustainable development goals can be articulated, the point of this chart is that they should be incorporated throughout the other sections of the IPS as well
Risk Tolerance	Specifies the level of risk willing to be taken by the institution	If applicable, include how investor contribution goals related to “Growing new or undersupplied capital markets” or “Being flexible on risk-adjusted financial return” may inform risk tolerance in order to achieve certain SDG Outcomes
Liquidity Needs	Specifies the institution’s liquidity needs	Discuss how certain investments may require lower liquidity to achieve certain SDG Outcomes If applicable, include how investor contribution goals related to “Growing new or undersupplied capital markets” may impact liquidity parameters in order to achieve certain SDG Outcomes
Time Horizon	Specifies the time horizon of the institution	Discuss how time horizon parameters may be adjusted to achieve certain SDG Outcomes
Measurement & Management, Evaluation, Reporting	Specifies the methods, timing, and audiences for measurement and reporting	Include how you will strategically and regularly use the results of measurement and evaluation to manage for improved impact over time

Examples of incorporating sustainable development into IPS

Below you will find links to example Investment Policy Statements, many of which were pulled from a Mission Investors Exchange's [collection](#). The list below is organized by topic and points to specific pages that may be helpful for each topic.

STATEMENT OF INVESTMENT PHILOSOPHY

[Sierra Club Foundation](#) pages 3-7

DELEGATION OF RESPONSIBILITIES

[Mary Reynolds Babcock Foundation](#) page 1

[Sierra Club Foundation](#) page 10

CAPITAL ALLOCATION

[Community Foundation for Greater Atlanta](#) page 7

[Sierra Club Foundation](#) page 8

[Wallace Global Foundation](#) page 6

[KL Felicitas Foundation](#) page 9

FINANCIAL GUIDELINES AND OBJECTIVES

[Community Foundation for Greater Atlanta](#) pages 4-5

[McKnight Foundation](#) page 3

[Anonymous Caprock client](#) pages 2-3

IMPACT GUIDELINES AND OBJECTIVES

[Community Foundation for Greater Atlanta](#) pages 3-4

RISK TOLERANCE

[F.B. Heron Foundation](#) page 7

[KL Felicitas Foundation](#) page 3

[Anonymous Caprock client](#) page 3

LIQUIDITY NEEDS

[Wallace Global Foundation](#) page

MEASUREMENT AND MANAGEMENT, EVALUATION, REPORTING

[KL Felicitas Foundation](#) pages 13-15

[Anonymous Caprock client](#) pages 7-9

IPS Resources

The full list of referenced Investment Policy Statements as well as some additional resources:

- [Anonymous Caprock client](#)
- [Community Foundation for Greater Atlanta](#)
- [F.B. Heron Foundation](#)
- [Impact Assets](#)
- [KL Felicitas Foundation](#) – useful investment alignment tool on pages 21-27
- [Mary Reynolds Babcock Foundation](#)
- [McKnight Foundation](#)
- [Sierra Club Foundation](#)
- [Wallace Global Foundation](#)

Additional foundation examples can be found at [Mission Investors Exchange](#)

[UNPRI Training Tool](#) - this guide provides a summary of how an investor can develop and implement a responsible investment policy and related processes. It covers how to embed responsible investment into an organization's structure and processes – starting with the investment policy.

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SDG Impact

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