Tool 06

Sample Sustainable Investing IPS

Advisor Cheat Sheet

VERSION 1 | May 2026

PURPOSE This tool provides illustrative language that advisors may adapt when documenting sustainability preferences within an Investment Policy Statement.

KEY PRINCIPLES

Sustainability preferences should be treated as **one component** of the broader investment policy framework and considered alongside:

- Financial objectives
- Risk tolerance
- Liquidity needs
- Time horizon
- Tax considerations
- Diversification requirements
- Sustainability preferences

Client Objectives and Preferences	The Client has expressed a desire to incorporate sustainability considerations into the investment process, including long-term environmental, social, and governance factors, while maintaining alignment with the Portfolio's financial objectives.
Investment Beliefs	The Client believes that environmental, social, governance, and stewardship factors may influence long-term investment outcomes and should be considered alongside traditional financial analysis.
Sustainability Objectives	**Values Alignment:** "Avoid material exposure to selected activities inconsistent with client values." **Risk Management:** "Incorporate sustainability-related risks and opportunities into investment decision-making." **Impact:** "Allocate a portion of the portfolio toward investments seeking measurable environmental and/or social outcomes." **Stewardship:** "Preference for managers demonstrating active ownership and engagement practices."
Portfolio Construction	**Example 1** Component / Allocation: Core diversified portfolio – 80% Sustainability thematic strategies – 10% Impact investments – 10% **Example 2** Sustainability considerations shall be integrated throughout the portfolio through manager selection, security analysis, stewardship practices, and targeted thematic allocations.
Investment Restrictions and Exclusions (If relevant)	"No direct investments deriving more than 10% of revenues from thermal coal production."
Impact Allocation Policy (If relevant)	"Target allocation of 5–15% to investments seeking measurable environmental and/or social outcomes." For sophisticated clients add priority outcomes areas. Example: Affordable housing, Healthcase access...
Stewardship and Active Ownership Preferences	"Preference shall be given to managers demonstrating active engagement, proxy voting, and stewardship activities where appropriate."
Manager Selection Criteria	"Sustainability-focused mandates should be managed by investment teams with demonstrable expertise in ESG integration, stewardship, or impact investing."
Benchmark and Performance Expectations	"The Client acknowledges that sustainability-related preferences may result in performance outcomes that differ from traditional market benchmarks over certain periods."
Reporting Requirements	Example dpending on whats relevant : Carbon metrics / Stewardship activities / Social Impact metrics. Example for Impact Investing: "Outcomes may be reported using recognized frameworks such as the SDGs, IRIS+, or manager-specific impact reporting where available."
Governance and Review Process	Sustainability preferences shall be reviewed annually or upon a material change in the Client's objectives, circumstances, or priorities.

! There is rarely a perfect solution that satisfies every financial objective, sustainability preference, and investment constraint simultaneously. **The objective is not perfect alignment.** The objective is to **document client preferences clearly**, communicate trade-offs transparently, and implement the most suitable strategy within the context of the client's broader financial plan.

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