

# Implementing a layered approach to sustainable investment

How can charities navigate the increasingly complex and urgent world of sustainable investment? In this article, the team from Isio provides a whistlestop tour of three papers that discuss what charities should consider when implementing a sustainable investment strategy.

For many charities, having a positive impact on the world and addressing global issues needs to be carefully considered alongside the need for investment returns. Whilst charities often seek to tackle global environmental and social challenges through their investments, navigating this landscape can be a complex undertaking.

## 1. A cohesive approach to sustainability

Themes such as climate change, nature exploitation and rising global inequalities form the foundations for setting sustainable objectives and implementing a sustainably-tilted investment portfolio.

With a large shopping list of social and environmental issues to be considered, addressing these sequentially may not necessarily be the answer. Given the urgency of these risks, individually and collectively, as well as the synergies and trade-offs in prioritising these risks, a cohesive approach is required.

The first step is to understand the key sustainability areas that matter most to you as an investor. With an ever-growing list of sustainability considerations, this will be essential to narrow down the universe.

There are various approaches you can use to get started. To support setting the strategic sustainability direction for the portfolio as a whole, we recommend a combination of belief sessions, discussions with your investment managers and stakeholders to help understand their views and to draw out answers. Understanding that there will be synergies and trade-offs, as well as unintended consequences, is important when deciding what is acceptable or unacceptable.

We discuss how to do this in greater detail in our paper - [A cohesive approach to sustainability](#) - part one of our three-part series of papers laying out the foundations of how to implement a sustainable investment strategy.



### A Cohesive Approach to Sustainability

Introduction to setting sustainability priorities

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**Waterfall Implementation**  
Layering sustainability objectives in your investment strategy

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## 2. Using the waterfall implementation framework

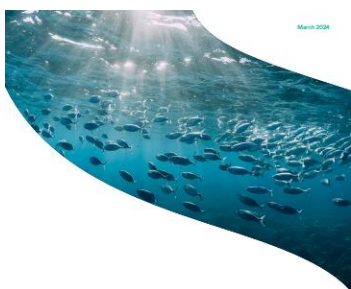
In the second paper, we recommend using a waterfall implementation framework, an approach designed to layer multiple sustainable objectives (across climate, nature and social issues) in the portfolio, by order of priority and assessing for potential trade-offs.

The framework encourages a focus on:

- Understanding your sustainable priorities and the strategic direction of your portfolio;
- Seeking out sustainable opportunities within specific asset classes. For example, a focus area on social equality could warrant a focus on allocating to social infrastructure;
- Setting environmental and social objectives within mandates, such as decarbonisation targets;
- Finally, monitoring investment managers to keep them accountable. Albeit we note sustainability reporting presents several challenges to investors.



To learn more about the framework, our second paper – [Waterfall Implementation](#) – sets out more detail and addresses the challenges that can arise during implementation. It also provides helpful case studies, including what a charitable foundation or endowment could seek to allocate to in the sustainability space, across different asset classes.



**Market evolutions in sustainability**  
Best practice climate, nature and social solutions

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## 3. Identifying solutions and best practice

There is increasing diversity of sustainable themes that are growing traction with investors, and span the asset class universe, with a focus on the following:

- Climate change – to transition to a low carbon economy, and adapt to a physically changing climate;
- Nature & biodiversity – to improve the state of global biodiversity, including forestry, agriculture and wetlands, as well as oceans and freshwater systems;
- Social issues – to contribute to the social Sustainable Development Goals (SDGs), concentrated under the theme of tackling inequality, including improving access to health, education and financial inclusion, for example.

These themes do not live in isolation, and we are increasingly seeing sustainability solutions that draw in objectives across these thematic spheres.

The holistic consideration of various sustainability themes is what we would consider best practice and can be accomplished by both layering different sustainable investment opportunities across asset classes in the portfolio, as well as by integrating broad sustainability objectives within a single mandate.

In our third paper – [Market evolutions in sustainability](#) – we look at this in more depth and share how sustainability solutions can be mapped out. We also share case studies and touch on some of the barriers to accessing sustainability offerings.

## Next steps

Regardless of where your priorities lie, there is an urgent need to take action towards a sustainable and inclusive future. At Isio, we do not believe our investments live in isolation of the real world. We hope this whistlestop tour on what to consider when implementing multiple sustainability objectives provides a good starting point on your organisation's sustainable investment journey.

If you would like further information or insights, visit our website or get in touch with us.

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