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## **Sustainable Investment Policy**

### **Institute vision statement**

To be an academic institution in dynamic equilibrium with its social ecological and economic environment striving continuously for excellence in education, research and technological service to the nation.

### **Institute mission statement**

1. To create and sustain a community of learning in which students acquire knowledge and learn to apply it professionally with due consideration for ethical, ecological, and economic issues.
2. To pursue research and disseminate research findings
3. To provide knowledge-based technological services to satisfy the needs of society and the industry
4. To help in building national capabilities in science, technology, humanities, management, education and research

### **Preface**

Indian Institute of Technology Madras (IITM, referred to as “the Institute” hereafter) has been recognized as an Institute of Eminence by the Govt. of India. As a premier academic campus, the Institute has been at the forefront of teaching and research in financial investments and markets. The Institute is committed to having the highest professional and ethical standards in all operations.

The Institute has always promoted and encouraged the highest ethical standards in professional and personal conduct of all its stakeholders. All our stakeholders must be committed to integrity in all aspects of their activities and comply with all applicable laws, regulations and internal policies. The Institute strives to ensure all its operations (academic, administrative, social, cultural and other) are in accordance with these highest standards of conduct.

One of the dimensions of ethical conduct is sustainability. It is, therefore, imperative that the Institute practices sustainable practices in all areas of functioning – including the investments the Institutes makes in various initiatives and financial avenues. This document describes the Institute’s Sustainable Investment Policy (SIP).

The Institute reserves the right to review the SPP as and when it deems fit. The latest copy of the policy will be made available to all the stakeholders.

### **Scope and application of the SIP**

This SIP shall be applicable to all the financial and in-kind investments that the Institute makes, irrespective of the source of the funds.

### **Sustainable Investment Policy (SIP)**

To make investment decisions that are sustainable and intrinsically valuable, the Institute shall focus on the following four critical elements.

1. Ethical and expert investment advisory committee
2. Socially and environmentally conscious investment choices
3. Financially prudent investment decisions
4. Meticulous scrutiny and fair disinvestment decisions



#### **1. Ethical and expert investment advisory committee**

The most important starting point towards sustainable investment is the formation of a committee that advises the Institute on the directions and vision. The Institute will nominate members to the Investment Advisory Committee. The terms of reference for this committee shall be informed by the competent authority of the Institute. The competent authority shall decide the tenure of each member on this committee. It should be ensured that no more 40% of the members complete their tenure at the same time. This committee shall make recommendations to the Institute, which would then be operationalized. Therefore, this committee needs to be carefully selected. Towards that, SIP recommends the following –

##### **1.1. Conflict of Interest**

The members of this committee shall not have any conflict of interest with any of the financial investment options considered by the committee. If a financial option to be considered by the committee has a direct or indirect link to a member, this policy recommends that the member

recuse themselves from the discussions pertaining to those decisions. Prevention of conflict of interest is primary to a fair and correct decision-making process.

#### **1.2. Domain expertise**

The members of this committee shall be selected based on their domain knowledge in finance, investments, and estimation of returns from social and environmental projects.

#### **1.3. Ethical conduct of the members**

The members of the investment advisory committee are expected to practice the highest ethical standards in professional, as well as personal, conduct. All the members must be committed to integrity in all aspects of their activities and comply with all applicable laws, regulations and internal policies. The members are expected to demonstrate honesty through business practices that completely eliminate any possibility of corruption, bribery, and gifts.

#### **1.4. Inclusivity in the committee formation**

The selection process for this committee membership is recommended to include criteria of inclusivity. Inclusive selection is expected to ensure the representation of critical strata of the society on this committee. This policy recommends mechanisms to prevent any bias in terms of gender, class, caste, or religion.

### **2. Socially and environmentally conscious investment choices**

Investment decisions for the Institute should be based on relevant and criteria strategically important to the Institute. Therefore, this policy recommends following dimensions to be considered while taking these decisions.

#### **2.1. Avenues of investment**

Avenues considered for investment shall include projects that are socially relevant (both internal and external), and also projects that may be important to maintain environmental balance. Startups and other established organizations working in the area of climate change, economic progress of the marginalized communities shall be given due attention. Similarly, organizations that work towards reducing gender-gap in society, generating employment opportunities for the differently-abled, and developing technologies towards a clear environment shall be given preference. This policy prohibits considerations of options that may be working towards promotion of hatred in the community; may be politically biased; may promote unhealthy products.

#### **2.2. Shortlisting criteria**

This policy recommends that all the investment options be shortlisted based on a holistic multi-dimensional criteria that include financial returns, social relevance, welfare, environmental impact – costs and benefits.

#### **2.3. Unbiased evaluation process**

It is expected that the members of the investment committee evaluates the options without any bias, influence (of any kind), and prejudices. The evaluation process be transparent and complete documentation. Rational decision-making process should be followed at each step.

#### **2.4. Meticulous due diligence**

All the relevant information, data (which may or may not publicly available) is expected to be collected and presented for all the options before the investment decisions are made. Full and

complete disclosure on the part of the fund and project managers (with respect to the project costs, duration, financial, environmental and social benefits) are expected to be followed.

### **3. Financially prudent investment decisions**

Investments made on behalf of the Institute must earn fair financial returns for the Institute. The monetary information and data for the project (such as project costs, initial investments, expected cash flows or savings in the future) is expected to be collected and evaluated. Therefore, it is recommended that the following important considerations be looked at:

#### **3.1. Quantitative and research-based selection process**

It is expected that the quantitative criteria and rubric be evolved to compare various options. The committee may rely on the Institute's strength in deep research capabilities in the financial domain to build robust criteria for evaluation. Similarly, the latest technologies in the relevant areas such as data science may be leveraged for evaluation.

#### **3.2. Financial measures**

The primary responsibility of the committee is to consider financial investment in the options available. Hence, it is expected appropriate multi-dimensional financial measures be employed to compare various options. This may be applicable for projects which are primarily working towards social and environment benefits – in such cases, estimation of financial costs and long-term economic benefits may be evaluated.

### **4. Meticulous scrutiny and fair disinvestment decisions**

Once the investment decisions are made, those projects and initiatives need to be tracked and monitored. It is recommended that the following approach may be taken for the same.

#### **4.1. Continuous monitoring**

The selected financial options and projects shall be monitored continuously. Changes in the market, macro-and micro-economic conditions that may affect the investments need to be tracked and analyzed. Changes in the social and environmental policies that may have an impact on the projects need to be carefully considered.

#### **4.2. Duration of investment**

It is expected that these investments be looked at over a longer term, rather than short-term, pure speculative investments – this shall definitely be considered for socially relevant and environmentally important projects. Duration for the pure financial investments be evaluated based on sound financial criteria developed.

#### **4.3. Sound and fair disinvestment process**

Decisions to disinvest from socially relevant and environmentally important projects be taken after due evaluation of impact of such disinvestment on the survival of the project itself. Financial loss avoidance to the Institute is a rational criteria; however, considerations of social costs and economic aspects of climate change may also be considered appropriately.