

Build confidence with sustainable investing

Earning investor trust in sustainability initiatives

In today's ever-growing sustainability landscape, investors look to companies for two things: engagement and transparency. Here are four proactive steps leaders can take to foster investor trust on the sustainability journey.

Sustainability investing matters to US institutional investors, and companies are responding. According to a recent Deloitte survey conducted with the Fletcher School at Tufts University, more than 80% of US institutional investors surveyed incorporate sustainability information into fundamental analyses, and 93% of surveyed respondents have sustainability policies in place, compared to 27% of respondents who agreed that they had policies in place for more than five years.

The US institutional investors surveyed seek to minimize risks and capitalize on opportunities, viewing sustainability information as a key component of due diligence. At the same time, regulations are emerging that may drive data consistency. The Securities and Exchange Commission (SEC) recently passed climate disclosure rules, requiring large filers to disclose their sustainability impact. While the SEC subsequently voluntarily stayed the Climate Disclosure Rule, most SEC registrants continue to be subject to climate-related disclosure requirements in Europe under the Corporate Sustainability Reporting Directive (CSRD) and in California under the Climate Corporate Data Accountability Act.

Organizations that invest in sustainability governance, measurement, and disclosure processes and technologies can keep pace and build trust among investors—which can help them stay ahead of the competition, grow market value, and gain access to capital.

Leaders should consider the following proactive steps to earn investor trust in their sustainability commitments.

Strengthen governance capabilities across the C-suite

While a chief sustainability officer may drive strategy, each leader has a critical and distinct role to play for an organization to reliably execute its sustainability commitments. A coordinated approach demands insight and accountability among operations, information technology, finance, legal, and marketing—in short, the entire organization.

Invest in sustainability measurement and reporting

By dedicating resources toward sustainability measurement, reporting systems, and compliance solutions, companies can enable more robust, higher-quality disclosures. Many companies have already begun developing sophisticated reporting capabilities to get ahead of impending regulatory requirements. Companies that continue to wait on the sidelines risk playing catch-up.

Corroborate disclosures

Audited or assured disclosures provide transparency in sustainability information that investors seek. Not only are these sources more trusted, but more experienced sustainability investors from the survey were more likely to employ audited or assured and in-house data.

Lead with the sustainability story

Investors want to engage in sustainability topics. As sustainable investing grows, corporations can expect that more investors will seek to understand sustainability strategies and outcomes. Investor engagement provides an opportunity to address any sustainability issues, foster transparency and accountability, and earn trust.

To learn more, check out the Investor Trust in Sustainability report.

For additional details on the stay, please read the executive summary of the SEC's Landmark Climate Disclosure Rule.