

Critical Role of Trust in Sustainable Investing



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Catastrophic news of floods, wildfires, record temperatures and rising sea levels highlight the urgent need to support and fund sustainable business practices. However, despite high profile climate action initiatives (e.g., those from COP 28), allocating capital towards positive environment, social and governance (ESG) practices still represent less than a third of global funds under management. Among the barriers to making the necessary shift towards environmental and social progress, is a lack of trust in investment professionals and products. In particular, our aversion to betrayal holds us back from trusting and engaging in sustainable investments. This aversion is understandable given the likelihood of greenwashing, and corporate failure to accurately report on ESG metrics. Our current research projects apply an innovative adaptation of the behavioural trust game to the context of sustainable investing. We thereby measure the extent to which investment advisors, ESG rating agencies, and corporate reporting on sustainability, are trusted by investors (and their level of trustworthiness). The literature on betrayal aversion implies that sustainable investing will be constrained until trust issues are effectively addressed. Building the necessary trust is not just about impression management, it requires deep change. For investment advisors and managers, establishing trust requires transparent communication, ethical behaviour, and demonstrating a true commitment to sustainable and responsible investing. Further, our research extends to the increase in trust which can be created by interventions such as independent advisory committees, external agencies, and performance (including deposit, guaranteed, surety, collateral, and contract) bonds.

Biography:

Dan is Associate Professor and Head of Discipline for Finance, Tasmanian School of Business and Economics, University of Tasmania. His current research investigates the key drivers for ESG performance, operationalising universal ownership to mitigate risk, the financial and economic implications of renewable energy transformation, and the behavioural enablers for corporate leaders to improve sustainability practice. He teaches classes in financial institutions and markets, fintech, behavioural finance, sustainability and socially responsible investing. Prior to academia, Dan managed institutional investment portfolios and developed innovative investment products including one of Australia's first environmental superannuation funds.