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Navigating the ethical issues of impact reporting

One of the key challenges is determining how to fairly attribute credit for positive outcomes



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IN THE realm of sustainable investing, the spotlight is increasingly shining on the real-world impact of investments. Communicating this impact is no easy feat, however.

How can investors ethically claim credit for positive outcomes when they are just one piece of the puzzle?

Driven by a desire to effect positive change, investors are grappling with the challenge of accurately representing their contributions to real-world outcomes. Impact reports have become a primary means of communicating these efforts, but they bring their own set of complexities.

One of the key challenges is determining how to fairly attribute credit for positive outcomes. Consider a scenario where an investor funds a project to install solar panels on a building. Who deserves

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credit for the resulting greenhouse-gas reduction? The building owner, the solar panel manufacturer, the contractor, or the investor?

Taking Credit, a study published in the *Journal of Business Ethics* by Graham and Cooper, proposes that a claim of credit is ethical when it is justified and defensible, that is, when “the credit matches the contribution to the work activity and is worthy of approbation by civil society”.



Impact reports are a primary means of communicating real-world impact, but they have their own set of complexities. PHOTO: PIXABAY

These criteria can be extremely useful in evaluating claims of credit in impact reports, which often present quantitative measures of impact, such as carbon savings and

job retention, without providing clarity on the investor’s role.

This ambiguity can lead to unjustified claims of credit and misrepresentations of the investor’s

true contribution.

Here is some practical advice for those creating impact reports.

■ Be specific about your contribution: Clearly articulate the inves-

tor’s role in achieving positive outcomes.

■ Avoid exaggeration: Present impact metrics accurately and avoid overstating the investor’s influence.

■ Acknowledge other contributors: Recognise the contributions of all parties involved in generating impact.

■ Provide context and balance: Offer a comprehensive view of the investment’s impact, including any negative outcomes.

■ Do not take credit if you are not willing to take blame: Take responsibility for both the positive and negative consequences of investments.

Ultimately, the goal is not to discourage impact reporting but to improve its quality and transparency. By adhering to ethical principles and providing clear and accurate information, investors can foster trust and credibility in their sustainability efforts.

As the demand for sustainable investing continues to grow, navigating ethical challenges in impact reporting will be essential for building a more transparent and responsible financial system.

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