

Supercharging Sustainable Leadership in APAC's Financial Services Industry

Sustainability is increasingly important in Asia, rapidly taking center stage for governments, investors, consumers, and employees. The past year saw Asian governments take large steps towards managing climate change, with the region's major emitters and key players making notable commitments to reduce emissions and achieve net zero. Sustainability has also been front-of-mind for investors and asset owners in Asia, with many placing a focus on sustainability when making portfolio allocation decisions. As of September 2021, ESG assets under management (AUM) in Asia Pacific reached US\$93 billion, with over 500 sustainability funds domiciled in the region and about 120 new funds launched in 2021.¹

Much like in the rest of the world, consumers and employees have also been a driving force behind the sustainability movement in Asia. A recent survey indicated that more than half of Asian consumers have stopped buying products and services that have a negative impact on the environment and society.² In another survey of 1200 employees across Asia, 50% expressed that they would much prefer a sustainability leader as their future employer, but 65% reported that they are clueless about what their companies are doing about sustainability.³

The financial services (FS) sector is critical in helping the region map out and finance a path towards a more sustainable future. As pressure from stakeholders begins to mount, it becomes imperative for FS companies in Asia to incorporate sustainability into their investment and corporate strategies. This has led to heated competition for sustainability talent in Asia, where the outsized demand for ESG and sustainability expertise amid a shallow talent pool has led to a demand-supply mismatch. According to a recent survey, 40% of institutional investors in Asia have held back on ESG-based investing due to a shortage of expertise or qualified staff (up from 26% in 2020).⁴

To better understand the landscape for sustainability leadership talent in Asia, and what the top FS organizations in Asia are looking for when it comes to talent, Russell Reynolds Associates analysed the backgrounds of senior sustainability leaders within 84 major FS organizations headquartered across the region.⁵ Our data revealed that the majority of these leaders have a finance and reporting background, are unlikely to sit in the C-suite and have diverse gender representation.

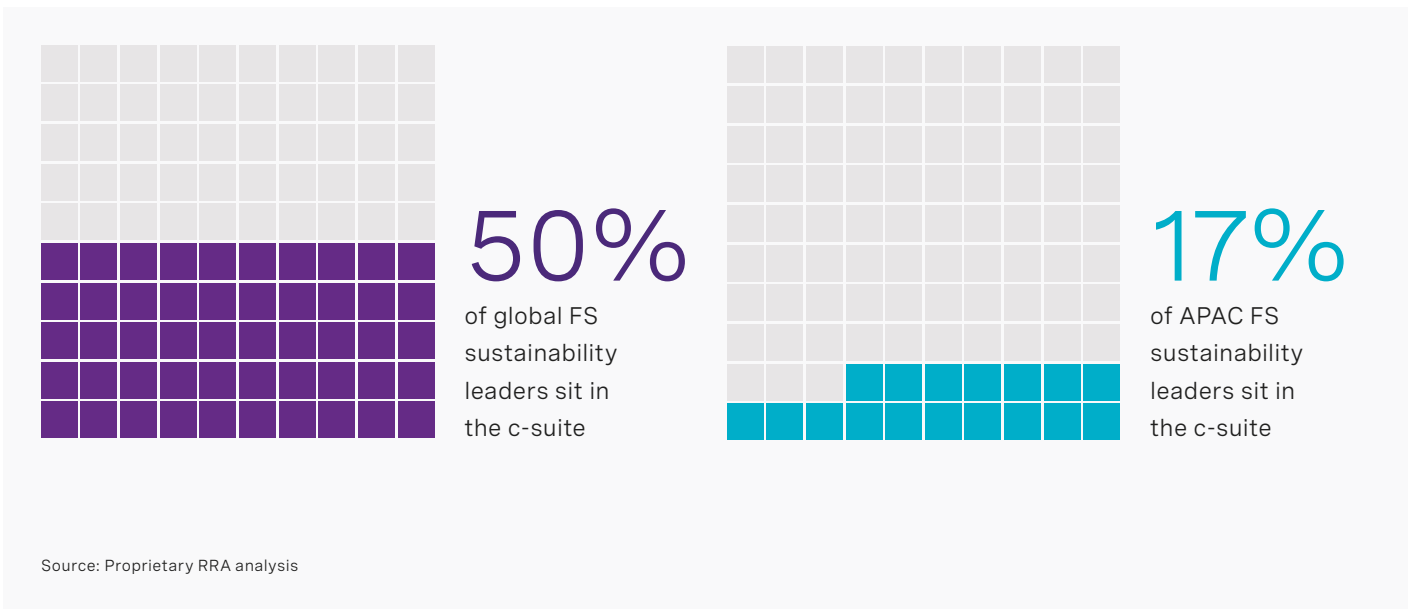


A Snapshot of Financial Services Sustainability Leaders in APAC Today

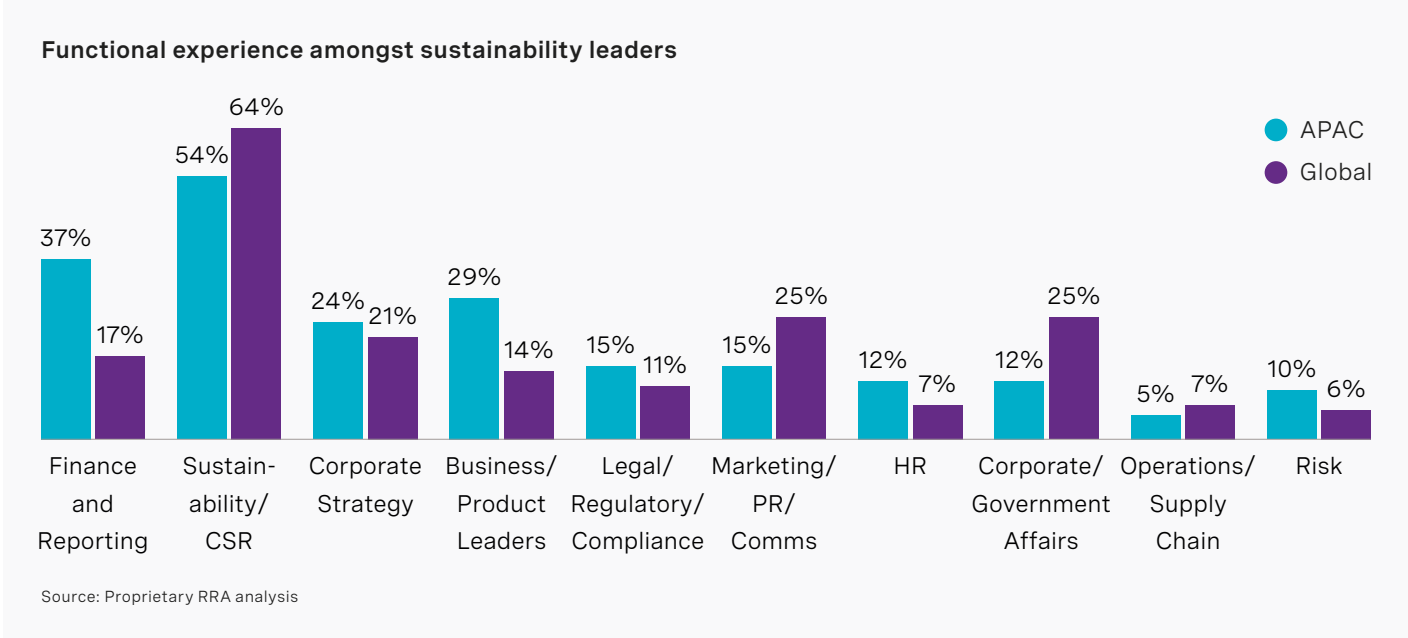
There are three overarching themes for top sustainability leaders across FS organizations headquartered in APAC. RRA found that few sustainability leaders sit in the c-suite, most come from finance and reporting background, and almost half are female.

1. Few sit in the C-suite

While roughly 50% of global FS sustainability leaders sit in the C-suite, only 17% of APAC FS sustainability leaders have a seat at the top-of-the house. This has implications for a sustainability leader’s scope and depth of influence across the organization if they lack the direct connection and seniority to interface with business unit leaders and other C-suite members.

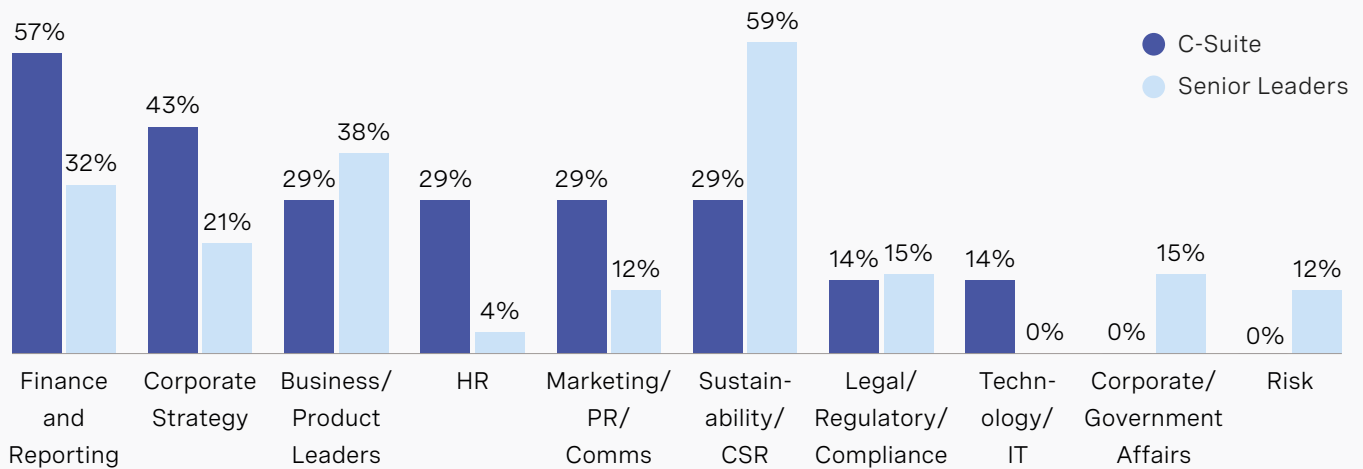


2. Most come from a finance and reporting background (unlike their global counterparts)



Amongst APAC sustainability leaders, finance and reporting experience were the second most common functional experience (37%), suggesting that APAC financial institutions place heavy emphasis on financial rigor when it comes to ESG initiatives. It is even clearer that APAC sustainability leaders over-index on finance experience when compared to their global counterparts, of which only 17% come from a finance and reporting background.⁶ Interestingly, finance experience is even more prevalent in C-suite sustainability leaders (57% vs. 32%), while non-C-suite leaders are more likely to have sustainability or CSR experience (59% vs. 29%). This suggests that financial acumen has been especially important for senior-most leaders.

Functional experience of c-suite vs. non-c-suite sustainability leaders



Source: Proprietary RRA analysis

The focus on finance and reporting could be a direct result of Asian countries implementing mandatory disclosures in recent years as a way to push companies towards sustainability - as evidenced from disclosure of ESG data increasing in all Asian countries and sectors over the past 10 years.⁷ This emphasizes the need for a leader with finance and reporting background to take charge of such mandatory disclosures.

3. Almost half are female

49% of APAC sustainability leaders analysed are female, similar to the global trend of strong female representation amongst this cohort. That said, globally, 64% of sustainability leaders are female, meaning that APAC slightly lags behind the rest of the world. This is because ESG roles are relatively new in this sector, and the paths to sustainability leadership remain varied and multi-faceted, allowing organizations to expand the aperture of their search for the best talent. This trend may lead to continued diversification of the role in APAC, and an emergent path to increase gender diversity in the C-suite.



64%
of global FS sustainability leaders are female



49%
of APAC FS sustainability leaders are female



Profile of Next-Gen APAC Financial Services Sustainability Leaders

As sustainability increasingly moves from being a “good to have” to an existential priority for APAC financial institutions, we expect to see an emergence of a new breed of sustainability leaders. In fact, we already see burgeoning signs of this new cohort. Next-generation sustainability leaders will share a few defining traits and characteristics:

1. C-suite leader reporting to the CEO

Given the background of these next-generation leaders, it is expected that they will have a seat at the “top of the house”. In our experience working with financial institutions across the globe on their sustainability leadership strategies, we have found that a key characteristic of “best-in-class” organizations is having a senior sustainability leader sitting on the executive committee, reporting to the CEO.

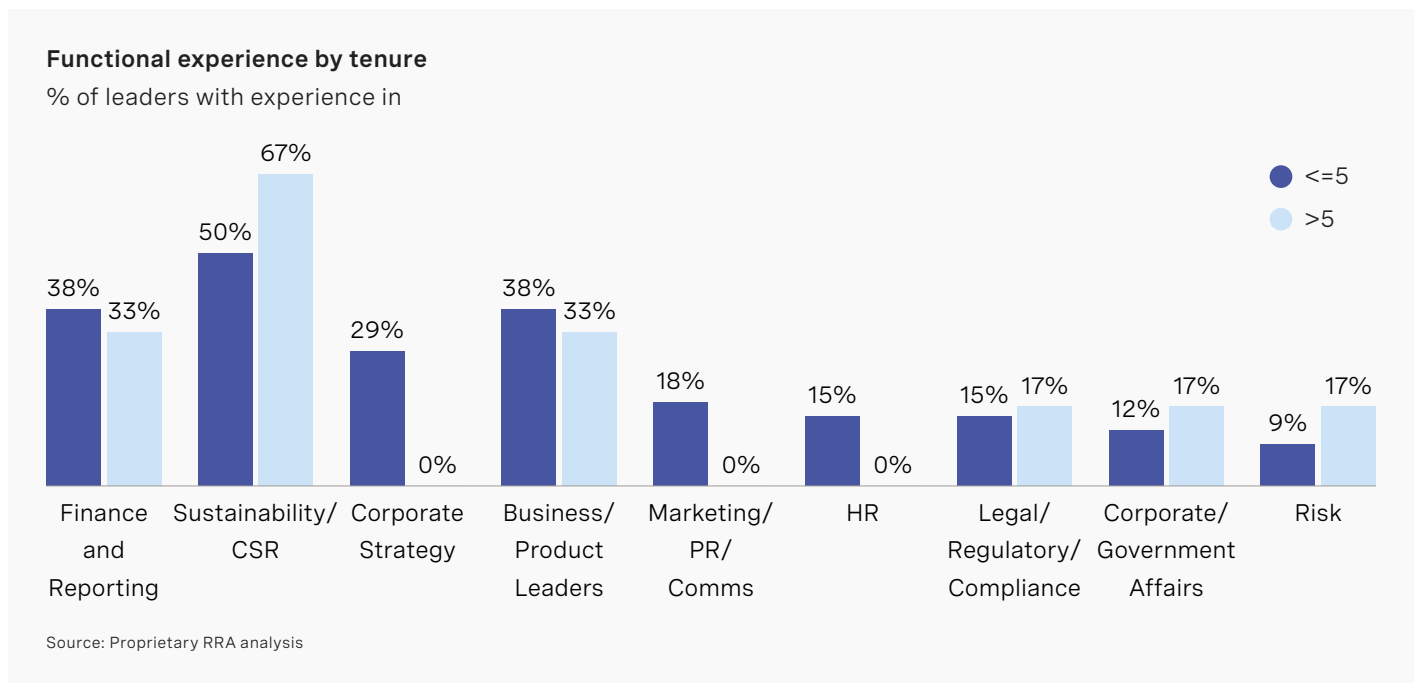
Our analysis suggests that APAC financial institutions have yet to elevate their sustainability leaders to this level, but we expect this to change within the next decade, if not sooner.

2. Deep sustainability expertise, likely gained externally

APAC financial institutions are already looking for deeper sustainability expertise. When comparing leaders appointed in the last five years versus those appointed prior, the percentage with sustainability experience has increased from 50% to 67%.

Data also suggests that organizations are increasingly looking externally to find this expertise. The overall number of external hires has increased by 44% year-on-year in the last three years, and these external hires were much more likely to have a background in sustainability or CSR compared to internal promotes, who were more likely to come from a finance background.

Since next generation leaders with sustainability expertise will most likely be found externally, we expect competition for external talent to heat up dramatically.



3. Broad experience in corporate strategy, business/product leadership and marketing/communications.

We also began to see a broader range of functional backgrounds in APAC FS sustainability appointments over the last five years, including those with experience in corporate strategy (29% vs. 0% prior), business/product leadership, as well as marketing and communications.

Next-generation sustainability leaders will likely combine deep sustainability subject matter expertise with an intimate knowledge of the business, products and services, and the organization's modus operandi. Rather than just reporting on sustainability results, they will be a strategic thinker who can help shape the sustainability strategy of the company and work cross-functionally to gain buy-in from various business units and functions and embed the strategy across the organization.

What does this mean for APAC Financial Institutions?



From a talent perspective, there are several steps APAC financial institutions can take to build upon and deliver on their sustainability / ESG strategies.

1. Assess where you are in your journey

Start by understanding where your organization is in the sustainability lifecycle by asking the following questions (a detailed sustainability lifestyle framework can be found in the appendix):



Strategy

How is sustainability viewed by your senior leadership - a commercially accretive imperative or an issue to be managed (and reported on)?



Ownership

What level of ownership do your senior leaders take in driving your sustainability initiatives? Is your leadership culture an enabler or a hurdle in this regard?



Reporting

What sustainability goals have you set, and how do your stakeholders view the ambitiousness of those goals and your ability to measure and report against them?








Senior executive talent management

How does sustainability factor into your leadership talent decisions? Is it a key competency when selecting, promoting, and rewarding leaders?

2. Determine which activities and decisions your sustainability leader(s) will focus on, and from there, decide on the optimal “archetype” for this leader

Though no two sustainability leaders are alike, several archetypes have emerged to reflect the varying nature of the role and its objectives. It is imperative to decide which archetype (or mix of archetypes) will align best with your sustainability strategy and goals.

	 The Strategic Integrator	 The Product Innovator	 The Operations Guru	 The Storyteller	 The Thought Leader
Description	Track record of strategy or P&L ownership, who integrates priorities across product, operations and brand	Experience successfully growing sustainable product or service line in response to customer needs and sustainability priorities	Track record of transforming operational practices in support of firm sustainability strategy. Expert in ESG taxonomy and reporting guidelines	Experience using data and emotion to tell a sustainability story that connects with stakeholders and builds brand loyalty. Well connected in the ESG space, attends various ESG related conferences and are external focused	Academic or ESG leader with experience successfully advocating for and/or implementing a sustainability-focused policy agenda
Strengths	<ul style="list-style-type: none"> Strategic visionary capable of managing short-term priorities while pursuing long-term vision Brings holistic understanding of how sustainability efforts across org are mutually reinforcing 	<ul style="list-style-type: none"> Embeds sustainability lens into products Disruptive innovator who challenges traditional approaches to eliminate tradeoff between profitability and sustainability 	<ul style="list-style-type: none"> Systems thinker who thrives on solving complex problems Strong results orientation who will enable leaders across business to set and meet sustainability KPIs 	<ul style="list-style-type: none"> Deep understanding of customer/ stakeholder lens on decision-making Able to connect tactical sustainability strategy to broader corporate purpose and brand 	<ul style="list-style-type: none"> Domain expertise and broad perspective on “what good looks like” Credibility with external stakeholders
Typical Talent Pools	<ul style="list-style-type: none"> Corporate Strategy BU/P&L Leaders Management Consulting 	<ul style="list-style-type: none"> Sustainable finance bankers ESG/Impact investors 	<ul style="list-style-type: none"> Risk & Reporting Compliance Legal 	<ul style="list-style-type: none"> Marketing and Communications Government/ Corporate Affairs 	<ul style="list-style-type: none"> Scientists NGO Leaders

3. Appoint, enable, and support

Once you have decided on the ideal leader profile for this role, it will inform your search strategy and help you narrow in on the right talent pools. Regardless of whether you decide to appoint internally or seek external talent, it is important that this leader has the resources, tools, and support to succeed. This could include a seat on the ExCo, a bigger team, development opportunities, internal and external networks, and more. Merely appointing a leader without providing them the appropriate enablers almost guarantees you will fall short of your goals.

4. Continue to cultivate your talent bench for the future

Once the senior sustainability leader has been put in place, it is never too early to start thinking about succession planning. Begin to develop processes and structures to further develop bench strength to cultivate future successors. Focus on selecting the right “rising star” talent, building a robust external talent pipeline, rewarding top performers, building knowledge structures on sustainability, and integrating sustainability competencies into mentorship and development plans.

5. Embed sustainability into your broader organization and leadership culture

Simply appointing a top sustainability leader is not sufficient. Longer term, organizations need to make sustainability core to the DNA of their leadership teams. In a joint study with the United Nations Global Compact,⁸ we found that sustainable leaders demonstrate four critical capabilities:



Multi-level systems thinking

They incorporate the interplay of business, societal and environmental systems and drive decisions that turn sustainability into a competitive advantage



Stakeholder influence

They do not seek to manage stakeholders; rather, they actively include them in defining and actioning decisions



Disruptive innovation

They possess the courage to challenge traditional approaches and cut through bureaucracy to drive the disruptive innovation needed to do away with the profitability-sustainability trade-off



Long-term activation

They do not simply have an orientation towards the long term, they set bold sustainability goals and rigorously drive concerted action in their pursuit

By assessing for these traits when appointing senior leaders across the organization – especially CEOs and Board Members – you can fully embed sustainability into your business strategy and leadership culture.



Appendix: Determine where you are in your sustainability lifecycle

Nascent

- Reactive - responding to issues as they emerge and managing them through a PR and brand lens
- Head of Sustainability is a mid-level role and/or responsibility sits within a function like marketing or corporate affairs; minimal integration with strategy
- No or limited reporting; if it exists, reporting is backwards looking and lacks measurable goals
- Sustainability, purpose, and values are not core to talent management frameworks

Evolving

- Proactive - sustainability is increasingly seen as a source of competitive advantage and/or risk mitigation
- Appointed senior Sustainability Leader with dedicated team, who reports to the CEO or other ExCo member, increasing integration with strategy
- Annual sustainability report with clearly stated goals and progress made against them
- Focus on values and purpose underpins talent management frameworks

Best-in-class

- Strategic - sustainability is embedded in strategy and used to evaluate new opportunities; existing operations are overhauled to be made more sustainable
- Sustainability Leader is senior member of firm, sits on Ex/OpCo and reports to the CEO; sustainability goals are embedded in objectives of C-suite leaders
- Sustainability reporting is embedded in annual report
- Explicit focus on sustainability experience and mindset in selection and development; sustainability outcomes linked to executive remuneration

Authors

Ashley Wallace Joll leads Russell Reynolds Associates' Financial Services Sector for Asia Pacific. She is based in Hong Kong.

Beijing Zhu is a member of Russell Reynolds Associates' Financial Services sector Knowledge team. She is based in New York.

Ying Sheng Ho is a member of Russell Reynolds Associates' Financial Services sector Knowledge team. He is based in Singapore.

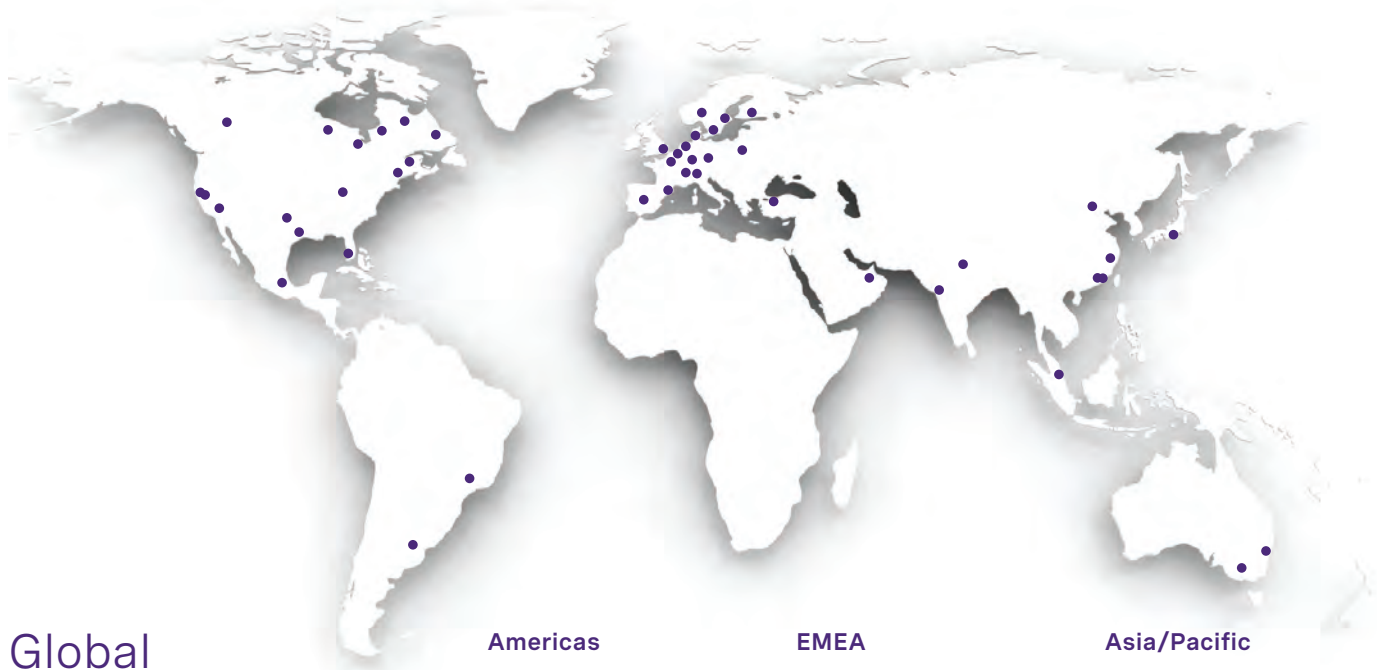
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6. Based on RRA propriety analysis of 63 FS organizations from a list of cross-sector Fortune 500 companies
7. <https://www.bloomberg.com/professional/blog/esg-disclosures-gain-traction-in-apac/>
8. [How Can Organizations Make Sustainability Core to the DNA of their Leadership Teams?](#)

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory and search firm. Our 470+ consultants in 47 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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