STEWARDSHIP RESEARCH SERIES

STEWARDSHIPASIA

BOARDS AS STEWARDS OF SUSTAINABILITY

VIEW ACROSS ASIA & PACIFIC

Research Partners:

ACCA Think Ahead

BOARD STEWARDSHIP Enabling Future Boards

Directors Australia Board Performance Specialists

ICD Institute of Corporate Directors Building Better Boards

ICDM Institute of Corporate Directors Malaysia

IICD Indonesian Institute for Corporate Directorship

JACFO Japan Association for Chief Financial Officers

Kerridge & Partners

PICG Pakistan Institute of Corporate Governance

SID SINGAPORE INSTITUTE OF DIRECTORS

SMU SINGAPORE MANAGEMENT UNIVERSITY Executive Development

SLID THE SRI LANKA INSTITUTE OF DIRECTORS

VIOD VIETNAM INSTITUTE OF DIRECTORS

STEWARDSHIP ASIA

About Stewardship Asia Centre

Stewardship Asia Centre (SAC) is a non-profit organisation dedicated to helping business and government leaders, investors, and individuals accelerate leadership action on environmental and social challenges through catalytic knowledge and advisory. We are part of the Temasek Trust ecosystem with a shared purpose of building a better future for every generation. Temasek Trust is the philanthropic arm of Singapore-based global investor Temasek Holdings.

CONTENTS

EXECUTIVE SUMMARY

WHAT WE KNEW (Chapter I)

I. **Humanity is threatened by several existential crises—climate change, social inequality, indiscriminate use of Earth's resources and cybercrime,** to name a few. The need of the hour is urgent attention and concerted action by all stakeholders. Embracing sustainability isn't merely an ethical choice; it is a business imperative. Positive corporate action provides strategic advantage that can bolster a company's bottom line and ensure its long-term viability. Such actions also help organisations attract top talent, access cheaper capital, enhance brand image and reputation, and create new business opportunities.

II. ESG (environmental-social-governance), which has emerged as the preferred framework to organise corporate action, is generating a lot of attention and dialogue, but resulting in inadequate impact. **A governance-led approach, primarily based on regulation and incentives, is necessary but not sufficient in solving environmental and social challenges.** Some organisations, however, create the right leadership conditions based on a larger purpose and shared stewardship values to balance financial, environmental and social sustainability. These values are long-term thinking, interdependence, ownership mentality and creative resilience. Such organisations practise "steward leadership," which is the genuine desire and persistence to create a collective better future for all stakeholders. They consistently create value not only for shareholders but also for employees, customers, partners and society. They continuously innovate and grow their topline while solving social and environmental challenges.

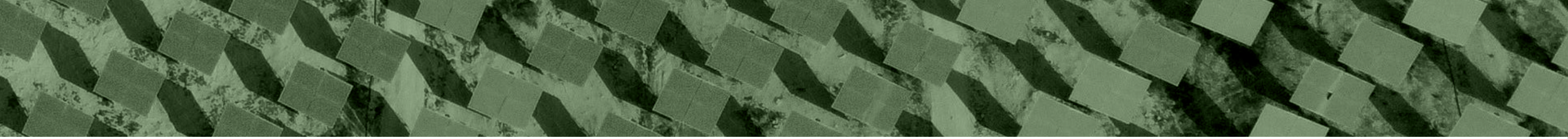
III. While "doing well by doing good" is enabled by management teams, board support is critical. **The board's role in driving the sustainability agenda has traditionally been underplayed and rarely talked about.** As the senior-most representative group in any organisation, boards hold implicit accountability towards enhancing value for all stakeholders. Yet, they often spend a disproportionate amount of time on historical financial performance evaluation and regulatory compliance, often at the expense of sustainability, leadership development, innovation and organisation culture.

WHAT WE LEARNT (Chapter II, III, IV)

IV. At the core of the board mandate lies the duty of "good fiduciaries," where the board is entrusted with safeguarding the interests of stakeholders and ensuring the long-term prosperity of the company. Based on their belief that businesses will succeed more if they provide society with what it needs, **exemplar boards ensure profit is pursued with a broader purpose which aims to maximise the positive social and environmental impact of business.** By integrating sustainability into corporate strategy, such boards create long-term value, ensuring the company's continued relevance and success in a rapidly changing world. Exemplar boards not only provide astute oversight and ensure transparent reporting and compliance but also drive long-term value and help curate a culture of sustainability.

V. **The success of boards that act as "true stewards" pursuing the "doing well by doing good" agenda hinges on their intent and ability.** Intent refers to the mindset, values and purpose that boards demonstrate in genuinely tackling global challenges while creating value for all stakeholders. Ability, on the other hand, entails the capability of boards to integrate sustainability into the business strategy while possessing the necessary skills, leadership, governance and processes to drive the sustainability agenda effectively. Factors influencing the intent and ability of boards to embrace the sustainability stewardship agenda include: jurisdiction and company context in which boards operate, their readiness to embrace sustainability, quality of leadership, nuanced knowledge about sustainability, and seamless strategy-sustainability integration.

VI. **Qualitative and quantitative board data collated across 11 countries in the Asia-Pacific suggests that sustainability is seldom a board priority.** Only 1 in 5 boards discuss sustainability in all meetings, and knowledge of sustainability



as a decision criteria for new appointments is still at best a good-to-have in 3 out of 5 boards. Board action on sustainability is often prompted by compliance requirements and pressure from the regulator, and responsibility for sustainability is rarely shared by the entire board collectively. Lack of knowledge on sustainability is the biggest staller, with 3 in 4 boards citing it as a challenge they must overcome. **The "heart" of boards, or the intent, however, seems to be in the right place. 1 in 3 board directors consider sustainability as an integral part of the corporate purpose.** A significant fraction of respondent board directors aspire to spend more time (than they currently do) on sustainability, innovation, talent development and organisational culture while rationalising the time they spend on financial performance evaluation and regulatory compliance.

VII. **Boards in the region have different orientations or archetypes based on their intent and their ability to address sustainability challenges.** There are five key archetypes: *Passive Followers* exhibit a lack of proactive engagement with sustainability issues; *Box-checkers* primarily focus on compliance with regulatory requirements; *Do-gooders* are driven by a moral imperative to contribute positively to society through corporate actions; *Risk Navigators* prioritise sustainability as a means of mitigating business risks; and finally, *True Stewards*, boards that embody a holistic approach to sustainability, integrate ESG considerations into business strategy and decision-making. These five archetypes are not static states of evolution, and boards may transition between them based on internal priorities, organisational context or other external factors.

WHAT WE PROPOSE (Chapter V)

VIII. Since long-term shareholder value is intricately linked to addressing societal and environmental concerns, boards must re-think their fiduciary responsibilities. Rather than waiting for the regulator to "tighten the screws" before they feel compelled to take drastic action on sustainability or viewing sustainability as a checklist of tasks, **boards must provide direction and support management in shaping a corporate culture based on values and purpose that promote sustainability.** Boards must also be wary of perceiving sustainability only through a prism of risk. They must champion innovative thinking, empowering management to devise business strategies that not only address but also capitalise on pressing societal and environmental issues.

IX. **Introspection, regarding their focus on driving the sustainability agenda, is a good place to start for boards with genuine intent to make a difference in the value they add to all stakeholders.** They must follow such reflection with an honest assessment to identify gaps in their intent drivers and ability factors to push the sustainability agenda. Boards also need to subsequently develop strategies to transition towards becoming True Stewards. This may involve setting specific goals and targets to enhance their commitment to sustainability, investing in training and development programmes to build the requisite skills among board members, and establishing mechanisms for accountability and oversight.

X. Finally, **boards must focus on promoting an enterprise-wide culture of steward leadership. This can be achieved by establishing a Steward Leadership Compass that articulates a company purpose that caters to a wide variety of stakeholders and a shared set of values rooted in stewardship.** While management teams are responsible for operationalising the Compass, boards must play a role to not only nudge the management in this direction but also be mindful of the Compass in all their conversations. They must ensure that all decisions the board takes agree with the stewardship values. They must further partner with the executive team to develop and maintain internal systems, structures and culture to ensure seamless alignment of all enterprise activities with the Compass. Finally, they should hold the management team accountable for maintaining and strengthening a culture of steward leadership throughout the organisation.

RESEARCH METHODOLOGY AND SAMPLE SET

STUDY OBJECTIVES

The study objectives of the *Boards as Stewards of Sustainability* research were to understand the following:

- ✓ Challenges boards need to deal with as they pursue the sustainability agenda.
- ✓ "Active ingredients" that must be in place for boards to drive action and commitment to sustainability.
- ✓ Different archetypes of boards, based on their mindset and readiness to steward sustainability.
- ✓ Actions boards must initiate and mindset changes they must embrace to prepare their organisations to overcome existential challenges.

RESEARCH APPROACH

We at Stewardship Asia Centre (SAC) collaborated with 13 organisations across the Asia-Pacific region, including the Association of Chartered Certified Accountants (ACCA), Board Stewardship, Directors Australia, Institute of Corporate Directors (ICD) Philippines, Institute of Corporate Directors Malaysia (ICDM), Indonesian Institute of Corporate Directorship (IICD), Japan Association for Chief Financial Officers (JACFO), Kerridge & Partners, Pakistan Institute of Corporate Governance (PICG), Singapore Institute of Directors (SID), Singapore Management University Executive Development (SMU ExD), The Sri Lanka Institute of Directors (SLID), and Vietnam Institute of Directors (VIOD).

The research team, in conjunction with the partner institutes, co-created a survey distributed in Singapore, Malaysia, Philippines, Vietnam, Sri Lanka, Pakistan, Australia, New Zealand, Japan, Indonesia and India. The survey collected data from in-seat board directors on themes such as board directors' mindsets on sustainability, priorities for boards, and key challenges faced in driving sustainability.

Additionally, we conducted interviews with board directors, including chairpersons, lead directors, executive and non-executive directors, and independent directors, from ten countries to gather insights from their experiences. These leaders play director roles in local companies or multinational organisations. Based on our analysis of the survey and interview data, we present a point of view on what's working, what's not, and what boards in APAC need to do to meaningfully drive the sustainability agenda.

SAMPLE SET

We collected 637 complete survey responses from 11 countries—Australia (17%), Malaysia (15%), New Zealand (13%), India (13%), Vietnam (10%), Philippines (8%), Singapore (7%), Pakistan (6%), Indonesia (4%), Sri Lanka (3%) and Japan (3%).

Independent non-executive directors accounted for 37% of the survey responses, executive directors/CEOs/managing directors 18%, board chairpersons 15%, non-executive directors 14%, and company secretaries another 5%.

41% of survey responses were from publicly listed companies, 37% from private companies, 14% from state-owned enterprises, and 9% from other types of organisations.

Almost 33% of responses were from organisations with less than USD50 million in revenue, 18% from organisations with revenues between USD50 million and USD100 million, 20% from organisations with revenues of USD100 million to USD500 million, 17% from organisations with revenues between USD500 million and USD2 billion, another 7% from organisations of up to USD10 billion revenue (between USD2 billion and USD10 billion), and the remaining 5% from organisations with revenues in excess of USD10 billion.

19% of responses were from financials; 9% from manufacturing; 7% from energy; 6% each from agri-business, technology and health care; 5% each from transportation and real estate companies. The rest was split between FMCGs, industrials, hospitality, telecommunications, etc.

We also conducted 77 semi-structured detailed interviews with board leaders, evenly split, across 10 countries—Australia, Malaysia, New Zealand, India, Vietnam, Philippines, Singapore, Pakistan, Indonesia and Sri Lanka. The interviewee pool mainly comprised independent non-executive directors and chairpersons.

> “OVERALL, THE ACTIVE PURSUIT OF ESG INITIATIVES IS NOT MERELY A MATTER OF MORAL OBLIGATION; IT IS A STRATEGIC NECESSITY FOR ENSURING THE ORGANISATION’S LONG-TERM RESILIENCE, COMPETITIVENESS AND RELEVANCE IN AN EVER-EVOLVING GLOBAL MARKETPLACE. BY INTEGRATING ROBUST SUSTAINABILITY PRACTICES INTO THE CORE FABRIC OF THE ORGANISATION, WE CAN NOT ONLY MITIGATE RISKS AND ENHANCE OUR REPUTATION BUT ALSO FOSTER A CULTURE OF RESPONSIBILITY AND INNOVATION THAT IS CRUCIAL FOR SUSTAINABLE SUCCESS IN THE LONG RUN.”

- Independent Board Director, *Professional Services Company.*

I. INTRODUCTION

The introduction segment of the report highlights key existential challenges that humanity is dealing with and why businesses need to step up, take notice and solve such challenges.

This segment also draws upon SAC’s research published in the book, *Sustainable Sustainability: Why ESG Is Not Enough*, to share why the environmental, social and governance (ESG) framework, despite its popularity, may be inadequate in making rapid progress in solving environmental issues and social inequality.

We also introduce the Steward Leadership paradigm in this chapter.

WE LIVE IN A COMPLEX WORLD

Existential Crises the World Faces

Humanity today grapples with existential crises that imperil our collective future. From climate change to social inequality, from the indiscriminate use of Earth's resources to the surge in cybercrime, each challenge demands urgent attention and concerted action.

Climate change stands as one of the most pressing existential threats of our time. With up to 200 million people forecasted to be displaced by 2050 due to its impacts, the urgency of mitigating its effects cannot be overstated. Shockingly, around 50% of all carbon emissions, one of the key factors driving climate change, stem from the wealthiest 10% of the global population.

As data on this page suggests, social inequality is an equally daunting existential crisis the world faces, with about half the population living on less than USD5.50 a day.

The indiscriminate use of Earth's finite resources amplifies the urgency of sustainability efforts. Considering current consumption patterns, we need 1.75 planets to sustain our demand on Earth's ecosystems—an unsustainable situation with dire consequences for future generations.

In an increasingly digitised world, the proliferation of cybercrime poses a compelling new-age threat to global stability. The scale of illicit activities is staggering, with four million files pilfered daily—a rate of 44 files per second.

While the myriad existential challenges confronting humanity demand decisive action, they also open up windows of opportunity. As you will see on the next page, it makes good business sense to act on the sustainability agenda.

SUSTAINABILITY UNDER SIEGE

CLIMATE CHANGE

- Up to 200 million people could be displaced by climate change by 2050.
- Around 50% of all carbon emissions are emitted by the richest 10% of the world's population.
- Although the Paris Agreement was signed in 2015, none of the world's major economies are on track to keep global warming below 1.5 degrees above pre-industrial levels.

SOCIAL INEQUALITY

- Almost half the world's population lives on less than USD5.50 a day, according to World Bank estimates.
- The world's richest 22 men have more money than all the women in Africa.
- Globally, women and girls put in 12.5 billion hours of unpaid work every day.

INDISCRIMINATE RESOURCE UTILISATION

- If we carry on using Earth's resources at our current rate of consumption, we need 1.75 planets to support the demand on Earth's ecosystems.

CYBER CRIME

- Since the Covid-19 pandemic, the FBI has reported an increase of 300% in reported cybercrimes.
- Four million files are stolen every day. That's 44 files every second.
- Cybercrime is quickly becoming more profitable than the illegal drug trade.

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DIRECTOR SPEAK

Did We Learn Enough From Cyber Risk?

"Cyber risk started with some instances of enterprise security breaches, but the boards initially did not take much notice and most of the actions were delegated to the IT department. When companies went through a huge financial loss because of ransomware, hacking, etc., boards suddenly woke up and made cyber risk a part of the mainstream board discussions. Much of this change in behaviour of board directors was driven by fear. In my view, sustainability will be a similar board journey. Once carbon tax comes into play, regulators start cracking the whip, organisations start losing business, that is when the boards will suddenly scramble to get their act together on sustainability action. That day is not too far out in the future!"

BEING SUSTAINABLE MAKES GOOD BUSINESS SENSE

BUILD BRAND VALUE

- Millennials willing to pay a premium for environmentally friendly products (% of survey respondents)

73%

INCREASE EFFICIENCY

- Lift in operating profits due to focus on sustainability (% increase)

60%

ATTRACT TALENT

- Millennials who have taken up a job owing to the hiring company's focus on sustainability (% of survey respondents)

40%

CREATE BUSINESS OPPORTUNITIES

- Potential annual business value of sustainability-related opportunities

USD10 trillion

ACCESS CHEAPER CAPITAL

- Lower cost of capital owing to better ESG scores of organisations (% decrease)

10%

CREATE JOBS

- Incremental jobs generated by 2030 owing to focus on sustainability and related areas

395 million

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BUSINESSES MUST TAKE NOTICE

Being Sustainable Helps Create Long-term Value

Issues like climate change and inequality are not just existential challenges, they are business imperatives. Some interviewee board directors emphasise that embracing sustainability isn't merely an ethical choice—it is a strategic advantage that can bolster a company's bottom line and ensure its long-term viability in an increasingly uncertain world. By addressing these challenges head-on, businesses can unlock a plethora of benefits that extend far beyond altruism.

First and foremost, as data on the page suggests, sustainability initiatives can help attract top talent. In today's competitive job market, employees are increasingly drawn to organisations that demonstrate a commitment to environmental and social responsibility. By cultivating a workplace culture that focuses on addressing sustainability-related challenges, companies can attract and retain skilled professionals who are passionate about making a positive impact on the world.

Furthermore, embracing sustainability can provide access to cheaper capital. Investors are increasingly factoring environmental, social and governance (ESG) criteria into their decision-making processes. Companies with robust sustainability practices are more likely to secure funding at favourable rates, as investors recognise the long-term value inherent in responsible business practices.

Moreover, sustainability efforts can enhance brand image and reputation. Consumers are becoming more discerning, favouring companies that prioritise sustainability and ethical business practices.

Additionally, sustainability initiatives can spark innovation and create new business opportunities. By rethinking traditional business models and embracing sustainable practices, companies can uncover untapped markets, develop innovative products and services, and gain a competitive edge in their respective industries.

Do these business benefits of pursuing sustainability mean that businesses are taking notice and embracing the agenda? Based on SAC's research, published in the book *Sustainable Sustainability: Why ESG Is Not Enough* (Penguin Random House SEA, 2023), we know that despite a lot of talk on sustainability, the dial is moving very slowly, if moving at all.

Let us explore on the next two pages why there is only a limited impact of business actions on the global sustainability agenda, and what business leaders and organisations can do about it.

DIRECTOR SPEAK

Sustainability Agenda Starts with Boards

"If a sustainable mindset isn't embedded in the organisation, even the finest structures or processes will not make up for its absence. We [boards] are the senior-most accountable group in an organisation, and we must take the lead on sustainability. Every single member of the board must view the company and its operations through the lens of sustainability and have no hesitation bringing up sustainability-related matters in any conversation with executives or fellow directors."

IS ESG ENOUGH?

Conventional Drivers of Sustainability Have a Limited Impact

While investment in ESG funds continues to grow, estimated to cross USD50 trillion in 2025, the progress towards environmental and social sustainability is still slow. SAC's research, published in the book *Sustainable Sustainability: Why ESG is Not Enough,* highlights that perhaps our approach to solving environmental and social challenges is not optimal.

We know that the ESG framework rose in popularity in the mid-2000s and has emerged as the frontrunner to drive businesses towards addressing the existential challenges we face. In general, it has succeeded in focusing the business world's attention on doing well by doing good. However, while ESG provides an overarching language and framework to address environmental and social challenges through business, it has also given rise to the following complexities:

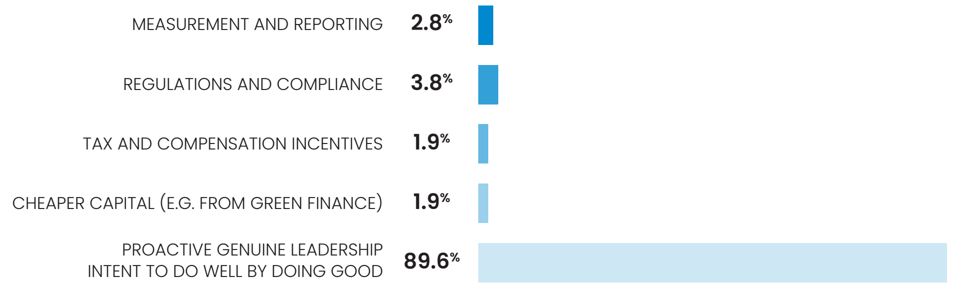
First, while E and S are both existential challenges, G is the mechanism we use to address them. The problem with bundling such different terms is that companies can point to progress in one area to take attention away from harmful effects of the business in another area. For example, a company may produce an environmentally sustainable product but also have problematic S issues, including modern slavery. Second, the G in ESG uses an "Incentivise → Regulate → Measure → Reward or Punish" system to address E and S issues. Regulations and incentives are indeed required, but they may not be sufficient to drive the extent of positive action that is truly needed to address the enormity of climate change and socioeconomic inequality. Regulation encourages most (not all) companies to minimise harm so they can stay out of trouble. They provide a minimum level of good behaviour. What we need today are profitable solutions to environmental and social challenges. For that, we need innovation of the highest order. Innovation can neither be legislated, nor driven by incentives alone.

Based on SAC's 10 years of research, and after having looked at hundreds of organisations across the world, we know that there are many companies that are "doing well by doing good." They are not compromising profits and are making money while addressing the world's biggest problems. So, what motivates these "environmental/social champions"? As the top bar chart in the graphic highlights, it is a deeply ingrained corporate culture that focuses on leadership, rather than regulations. But not any kind of leadership; "steward leadership," explained on the next page, separates exemplar organisations from the rest of the pack.

While "doing well by doing good" is enabled by management teams practising steward leadership, board support is critical. Boards, however, as the adjoining graphic suggests, often do not spend enough time on sustainability, leadership and organisation culture. They often focus instead on regulatory compliance and financial management.

WHAT MOTIVATES ORGANISATIONS?

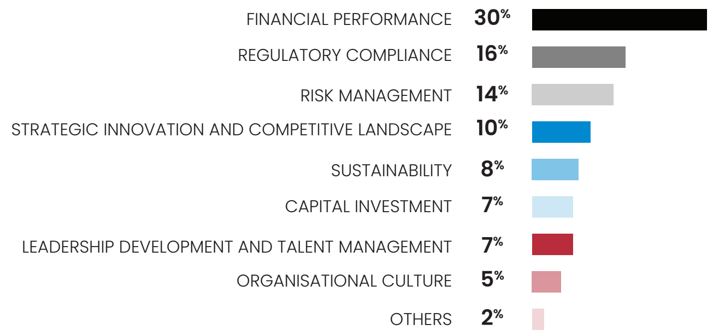
What motivates true environmental/social champions most to create long-lasting positive impact on the environment and/or society?
(Data represents % respondents who selected the option.)



Peshawaria, R. (2023). Sustainable Sustainability: Why ESG is not Enough. Penguin Random House SEA. N=10,000

BOARD TIME SPENT ON KEY ACTIVITIES

Over a calendar year, what % of time do you spend in board meetings to review, discuss and provide oversight on each of the following areas?
(Data represents % respondents who selected the option.)



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STEWARDSHIP VALUES & PURPOSE

Steward Leadership is the genuine desire and persistence to create a collective better future for stakeholders, society, future generations and the environment.

- ✓ INTERDEPENDENCE: Viewing the world as an interconnected system in which individual and organisational success depends on the success of others.
- ✓ LONG-TERM VIEW: Creating sustained value for both current and future generations.
- ✓ OWNERSHIP MENTALITY: Taking proactive responsibility to create positive environmental and social impact.
- ✓ CREATIVE RESILIENCE: Persisting to find innovative solutions to disruptive challenges.

Peshawaria, R. (2023). Sustainable Sustainability: Why ESG is not Enough. Penguin Random House SEA.

A NEW PARADIGM OF LEADERSHIP

Steward Leadership Enhances Sustainability Uptake

Our research tells us that steward leadership is the genuine desire and persistence to create a collective better future, and steward leaders strongly believe in four specific stewardship values as highlighted in the graphic—interdependence, long-term view, ownership mentality and creative resilience.

Interdependence: Steward leaders see the world as an interconnected web in which the success of each constituent is coupled with that of other constituents. Rejecting the notion of a zero-sum game, they view their own success in tandem with that of others, rather than competitively. *Sustainable Sustainability* cites the example of Unilever. When Paul Polman took over as the CEO of Unilever in 2009, he understood early on in his tenure that the company could not be successful without taking the needs of different stakeholders into account. Poverty, climate change and increasing food prices were beginning to impact Unilever's future business prospects, and he fully expected consumers to reward companies who do what they can for society's pain points. His belief in interdependence led to the formation of the Unilever Sustainable Living Plan.

Long-term view: Steward leaders are long-term thinkers. They are willing to forgo short-term gains to achieve enduring returns. Denmark's Chr. Hansen Holdings and Finland's Neste Oyj are some examples of large companies doing the most for sustainable business practices. Clearly, the steward leaders at these companies have decided to be mindful of the needs of future generations and do what they can to minimise environmental harm.

Ownership mentality: Steward leaders imagine an inclusive better future and take it upon themselves to create it. Driven by the mantra of "If it's to be, it's up to me," they take responsibility and make things happen. In business, this means thinking and acting like an owner, even if one is just a manager or employee.

Creative resilience: Steward leaders understand and acknowledge the enormity of challenges associated with creating economic value by integrating the needs of stakeholders and society at large. They realise that they will need both creativity, the ability to find innovative models to fuel growth, and resilience, the persistence to not give up in the face of failures. The latter comes from their genuine desire to create a collective better future.

With firm conviction in their values, steward leaders also articulate a purpose greater than themselves. The purpose often seeks to create a collective better future for a wide variety of stakeholders, if not for society at large. Most business leaders believe that their sole duty is to maximise shareholder value. Steward leaders aim bigger—they, too, want to create value, but not at the expense of other stakeholders, society, future generations or the environment.

Exemplar boards embrace the spirit of stewardship as they drive the sustainability agenda. The next section illustrates what we learnt about the role of boards in APAC in stewarding sustainability.

“IN ALL HONESTY, SUSTAINABILITY IS OFTEN DEPRIORITISED AS THERE ARE SO MANY OTHER COMPETING PRIORITIES THAT BOARDS NEED TO FOCUS ON AND, IF I DARE SAY, ARE 'DISTRACTED' BY.”

- Chairperson, *Information Technology Services Company.*

II. KEY INGREDIENTS OF BOARD SUCCESS

This chapter starts with what we heard from research interviews about the role of boards in driving sustainability, and why board directors must feel accountable towards solving environmental and social challenges.

We also share why having the “right” intent and ability at the board level is crucial as they set the tone at the top to guide executive teams on their journey to embrace sustainability.

Based on the takeaways from our interviews, we also unpack “active ingredients” that comprise intent and ability to drive sustainability in APAC boards.

WHY BOARDS MUST FEEL ACCOUNTABLE & ACT

The Need to Steward Sustainability

Interviewee board directors cited five key reasons for boards to drive the sustainability agenda, as highlighted on this page and elaborated below:

Board directors hold a pivotal role in steering organisations towards sustainability, driven by a multifaceted array of responsibilities and accountabilities. At the core of their mandate lies the duty of good fiduciaries, entrusted with safeguarding the interests of stakeholders and ensuring the long-term prosperity of the company. By prioritising sustainability, directors uphold their fiduciary duty by mitigating risks, fostering resilience, and enhancing the company's reputation and value.

Moreover, board directors must meet the evolving expectations of stakeholders, including investors, employees, customers and communities. In today's interconnected world, stakeholders demand transparency, accountability and ethical behaviour. By embracing sustainability, directors demonstrate their commitment to meeting these expectations, thereby building trust and fostering long-term relationships.

As stewards of the organisation, board directors must balance the pursuit of profit with a broader purpose, considering the social and environmental impacts of their decisions. By integrating sustainability into corporate strategy, directors create long-term value, ensuring the company's continued relevance and success in a rapidly changing world.

Furthermore, board directors must look beyond regulation to drive meaningful change and secure long-term success. While compliance with regulations is essential, as highlighted in the previous segment, it often represents the minimum standard of conduct. By going beyond regulatory requirements, directors can proactively address emerging risks, seize opportunities for innovation, and enhance stakeholder trust. Embracing sustainability, ethical practices and responsible governance not only mitigates risks but also cultivates a culture of accountability and resilience within the organisation. Ultimately, by adopting a forward-thinking approach that transcends regulatory mandates, board directors can position their companies as leaders in sustainability and drive positive impact in society.

WHY BOARDS MUST STEWARD SUSTAINABILITY

TO BE A GOOD FIDUCIARY

"Why are you in business, of course, you want to make money! However, if you're having lawsuits left and right, if you're having to do damage control, if you're having to make repairs, if you're having to send your people to the hospital due to injuries, then obviously, you're not going to make money, and you are not taking care of the business as you should as a steward."

TO MEET STAKEHOLDER EXPECTATIONS

"Board members must adopt a multi-faceted perspective, considering the views and interests of customers, investors and employees. If a supplier or a customer tells you that you need to be certified, or you need to be compliant, board must ensure the organisation finds ways to fall in line."

TO CREATE LONG-TERM VALUE

"As a board member, it's imperative to recognise that the neglect of environmental, social and governance (ESG) initiatives could have far-reaching consequences for the organisation. While it might seem that these initiatives primarily address ethical concerns, they are intricately linked to the organisation's overall success and longevity."

TO ALIGN PROFIT WITH PURPOSE

"Good boards understand that while sustainability is an ethical and moral subject, there are financial implications. While organisations are about profitability, there is a paradigm shift now, and sustainability, purpose and profits have to match and move ahead in tandem."

TO LOOK BEYOND REGULATION

"Compliance is often not an answer. You cannot legislate moral behaviour. So, in my view, it's got to be a good mix between leadership-led enlightenment and a regulation which is very light touch but forces you to do things in a proper manner."

> **"We're [Boards are] stewards of the organisation. And I think once you take the long-term view, and you think about what the organisation is doing over the longer term, then you just have a natural coalescence between the E and the S considerations and profitability."**

BOARD’S ROLE IN DRIVING THE SUSTAINABILITY AGENDA

Fulfilling Stewardship and Supervisory Responsibilities

We asked board directors what “hats” they must wear to steward sustainability in their organisations. Interviewee responses centred around eight key roles, highlighted in the adjoining graphic, to successfully guide, steer and steward initiatives to ensure long-term value creation.

Interviewee directors highlighted that first and foremost, boards play a pivotal role in guiding the direction of the company towards sustainability. It is imperative for directors to recognise that their responsibilities extend beyond financial considerations, encompassing broader societal and environmental objectives. As one director aptly emphasised, “Boards need to steer the direction of the company. It’s not just about money, dollar and cents, but it’s about steering the ship towards where it should be.” By setting a clear strategic vision that integrates sustainability principles and setting the tone at the top, boards provide essential guidance to management, ensuring that sustainability considerations are embedded into the organisation’s core strategy and operations.

Moreover, several interviewees also underlined that boards must actively engage with management to identify and address any impediments to sustainability initiatives. This requires fostering open communication channels and collaboration, enabling management to overcome challenges and execute on the sustainability roadmap effectively.

One director pointed out that the board’s mindset must centre around three “P”s—productivity, principles and provenance—ensuring that sustainability considerations permeate every aspect of the organisation’s operations.

Additionally, we heard that boards must provide rigorous oversight to ensure compliance with regulatory requirements and ethical standards. This entails establishing robust monitoring mechanisms, conducting regular assessments, and holding management accountable for upholding the organisation’s sustainability commitments. By integrating sustainability into the governance framework, boards mitigate risks, enhance transparency, and safeguard the organisation’s reputation and credibility.

Finally, directors also underlined their role in creating a culture of shared responsibility and accountability for sustainability. As emphasised by one director, “We must not isolate only the role of the board, as the board comes at the very end. The board creates an enabling framework. Everybody should feel empowered and enabled and motivated to act on sustainability.”

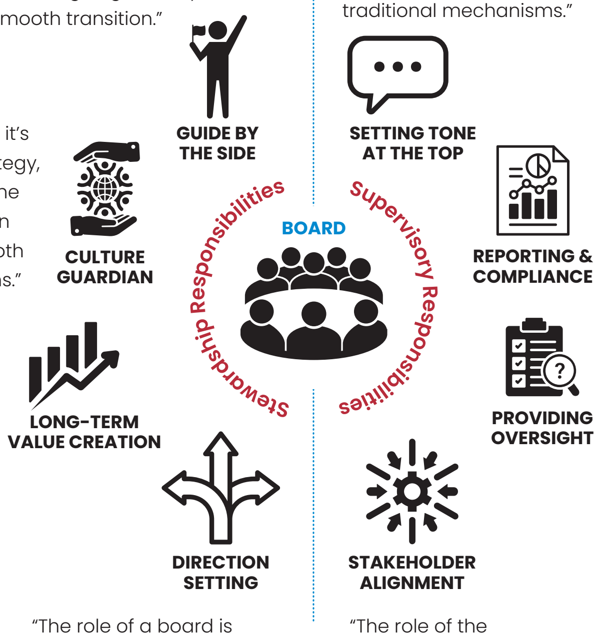
BOARD’S ROLE IN DRIVING THE SUSTAINABILITY AGENDA

“We need to guide the management on critical choices—do we concentrate on next quarter’s profits, or do we invest in climate resilience? We need to be able to walk on water because the shareholders who are agitating for increased returns will be the shareholders who are going to sue you for not making a smooth transition.”

“Directors set the tone for the organisation. They don’t manage it day to day, but set the thinking through KPIs and other traditional mechanisms.”

“The board is not just responsible for financial outcomes, it’s responsible for strategy, it’s responsible for the culture. ESG plays an important part in both these considerations.”

“We are the fiduciaries for the shareholders, so we must ensure all compliances and regulations are met at all times. In a way, ensuring the organisation has a licence to operate.”



“Primary role is to ensure long-term sustainability and value for the shareholders. A board is only as good as the value it can add to the organisation.”

“The board’s role is to provide regular oversight to ensure the business is pursuing its purpose, vision, mission and a strategy to deliver that vision or purpose.”

“The role of a board is not just stewardship and overseeing where the organisation’s going, but also to look at what risks are coming down the pipeline, and kind of looking ahead and making sure the organisation’s thinking about them and preparing for them.”

“The role of the board is to help set the vision and the purpose and ensure that there is alignment with management for executing on the agreed direction. Even if the board wants to do sustainability, it won’t be able to do it without management and stakeholder support.”

KEY INGREDIENTS OF BOARD SUCCESS

Combination of Intent and Ability Results in "True Stewardship"

Interviewees shared that in their quest to address the existential crises facing our world and drive sustainability, boards must possess both the right intent and ability. Intent refers to the mindset, values and purpose that boards demonstrate in genuinely tackling global challenges while creating value for all stakeholders. Ability, on the other hand, entails the capability of boards to integrate sustainability into the business strategy while possessing the necessary skills, leadership, governance and processes to drive the sustainability agenda effectively.

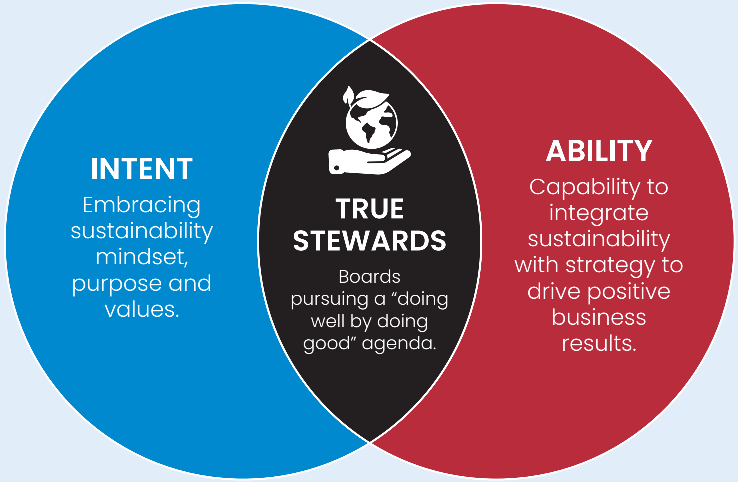
We know from SAC's previous research that boards with the right intent prioritise sustainability as a core value, recognising the interconnectedness of environmental, social and governance issues with long-term business success. Directors shared that such boards display a genuine commitment to solving global challenges, driven by a sense of responsibility towards current and future generations. This intent is often reflected in their strategic choices, resource allocation decisions and engagement initiatives with stakeholders.

Moreover, boards with the ability to integrate sustainability into the business strategy possess the requisite skills, leadership and governance structures to drive meaningful change. Our previous research informs us that such boards embed sustainability considerations into every aspect of the organisation's operations, from product design and supply chain management to stakeholder engagement and risk assessment.

Interviewee directors shared that boards that successfully combine intent and ability are best positioned to help their organisations thrive in a rapidly changing world. Furthermore, these boards are adept at identifying opportunities that arise from sustainability initiatives, leveraging them to drive innovation, differentiation and competitive advantage.

On the next page, we explain factors that may influence "intent" and "ability" of boards.

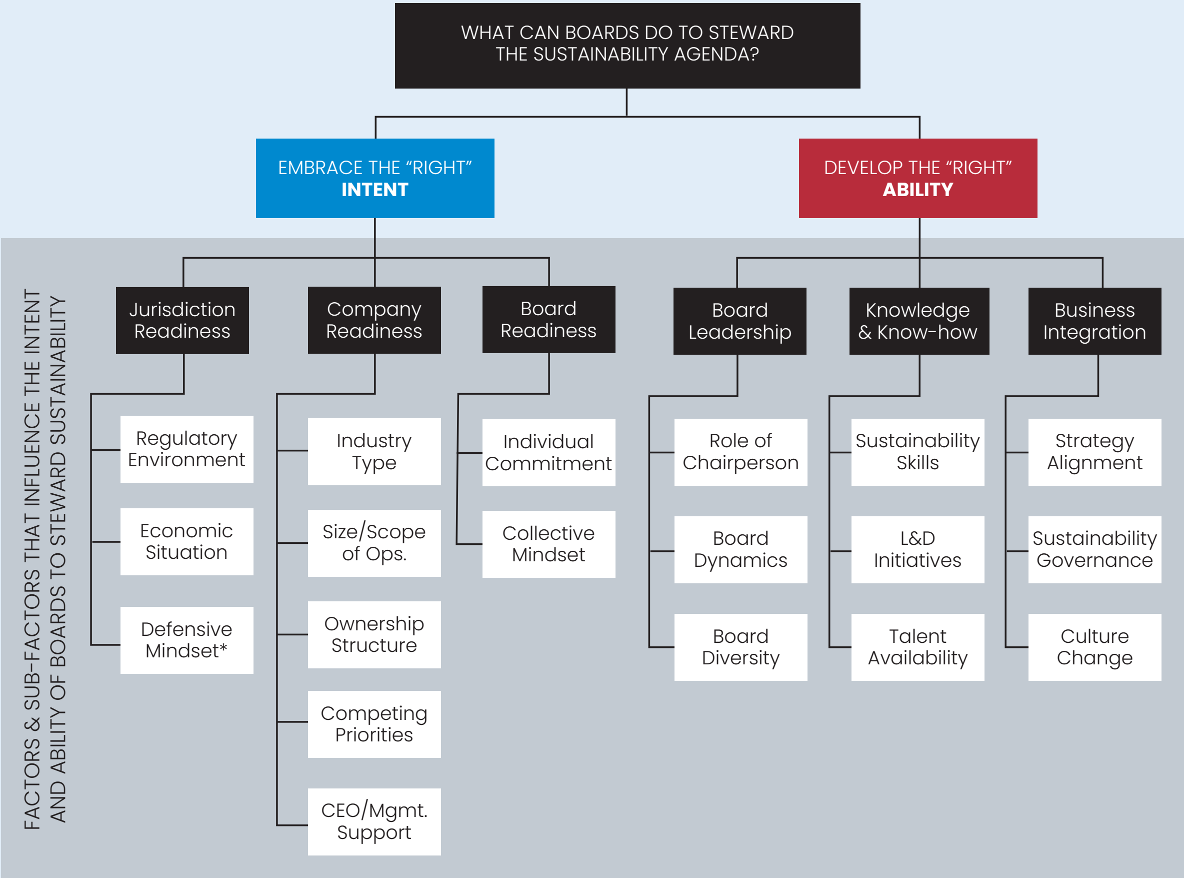
BOARD INTENT & ABILITY TO DRIVE SUSTAINABILITY



"While mindset is important, I don't think it can just be about mindset. While it can start the conversation, it will only take you so far in the actual implementation of sustainability within the organisation. At the end of the day, we have to create processes, systems, incentive structures and economic benefits."

BOARD INEFFECTIVENESS ROOT CAUSES

Lack of Intent and/or Ability Stalls Board Action



*Mindset that developing countries should have the right to pursue their own developmental goals without undue interference from the developed world. Such thinking frames climate change as a consequence of historical injustice and argues that developing nations should not be unfairly burdened with addressing a problem they did not predominantly cause.

> **"Boards must deal with several competing priorities. So where does sustainability sit within those competing priorities? At the moment, with inflation, tough economy, global conflicts, business survival issues, etc., sustainability, I am afraid, is not on the list."**

As shared on the previous page, intent and ability are two critical dimensions that shape a board's effectiveness in driving the sustainability agenda. The graphic on this page further unpacks what comprises board intent and ability, based on our research conversations. Individual boxes in the graphic represent active ingredients or factors that may influence the intent of the board (across three pillars of jurisdiction, company and board readiness) and ability of the board (across three pillars of leadership, knowledge and business integration).

We learnt through the interviews that boards operating in more mature jurisdictions with robust regulatory frameworks may demonstrate a stronger intent to prioritise sustainability, while those in nascent markets may face greater challenges in this regard. Additionally, the organisational context, including factors such as industry norms, nature of business, urgency of sustainability concerns on business, and stakeholder expectations, can impact a board's commitment to sustainability. And board readiness, comprising individual director commitment and mindset, is instrumental in shaping the intent to steward sustainability.

We also learnt that "ability" is driven by factors such as board leadership, particularly the role of the chair in setting the tone and agenda; the knowledge and skills of board members; and the board's ability to effectively integrate sustainability considerations into the broader business strategy. Interviewees highlighted that boards with strong leadership and a diverse range of expertise are better equipped to navigate the complexities of sustainability and drive meaningful change within the organisation.

Note that a combination of factors may impede board progress in driving the sustainability agenda.

The subsequent pages in this chapter build upon each of the six pillars: jurisdiction readiness, company readiness, board readiness, board leadership, knowledge and know-how, and business integration.

JURISDICTION READINESS

Country Maturity Influences Intent

As we interviewed directors across APAC, we learnt that the mindset of boards towards sustainability is significantly influenced by the jurisdiction in which they operate. Different levels of regulation in jurisdictions compel boards to prioritise sustainability differently. In regions with stringent regulatory frameworks, boards may feel compelled to prioritise sustainability initiatives to ensure compliance and mitigate risks associated with non-compliance. Conversely, in jurisdictions facing challenging economic situations, boards may prioritise addressing existential challenges related to the business over sustainability initiatives. An extract from the Global Sustainable Competitiveness Index report, given on this page, measures the competitiveness and sustainability of countries we looked at through this research.

Some board directors, particularly those in developing countries, emphasised that economic pressures can limit the resources and attention available for sustainability efforts, leading boards to focus on immediate financial concerns rather than longer-term sustainability goals. Economic challenges can overshadow sustainability efforts within boards, reflecting the complex interplay between economic, social and environmental priorities in different jurisdictions. As one board member expressed, "Due to the dismal economic situation in our country, any new thing that we are trying to do, or anything out of the ordinary financial issues that we have, will be pushed back because currently, we have an existential crisis in our business."

Furthermore, during our conversations, we came across some directors in developing jurisdictions who exhibited a defensive mindset towards the "West," attributing climate challenges to developed countries and resisting efforts to reduce economic activity within their own countries. This mindset often stems from a perception of unfairness or a desire to prioritise economic development over environmental concerns.

DRIVERS OF INTENT AT COUNTRY LEVEL

REGULATORY ENVIRONMENT

"The statutory requirement in Australia is to act in the best interest of the company, not shareholders. So, it is commonly recognised that environmental and social factors are matters that boards must consider to act in the best interests of the company."

ECONOMIC SITUATION

"The first priority at this point is to deal with this current economic situation in our country. So, any new thing that we are trying to do out of the ordinary financial issues that we have will be pushed back."

DEFENSIVE MINDSET

"The West has really been able to condition our minds. They expect poor countries that are really getting damaged by the climate to toe the line, but they haven't really delivered on their commitments to help mitigate the damage that they were doing for the last 300 years. So, there's a lot of hypocrisy."

Sustainable Competitiveness Ranking

	RANK*
Australia	25
China	30
India	121
Indonesia	86
Japan	12
Malaysia	71
New Zealand	27
Pakistan	173
Philippines	90
Singapore	36
Sri Lanka	92
Thailand	81
Vietnam	54

The Global Sustainable Competitiveness Report (2023) [Chart]. Solability Sustainable Intelligence. Retrieved January 10, 2024, from https://solability.com/the-global-sustainable-competitiveness-index/the-index

*Note: Index comprises 180 countries, based on 190 parameters across the following pillars:

Intellectual Capital & Innovation: The capability to generate wealth and jobs through innovation and value-added industries in the globalised markets.

Economic Sustainability: Economic Sustainability & Competitiveness reflects the ability to generate wealth through sustainable economic development.

Governance Efficiency: Results of core state areas and investments—infrastructure, market and employment structure, the provision of a framework for sustained and sustainable wealth generation.

Natural Capital: The given natural environment, including the availability of resources, and the level of the depletion of those resources.

Resource Efficiency & Intensity: The efficiency of using available resources as a measurement of operational competitiveness in a resource-constraint world.

Social Capital: Health, security, freedom, equality and life satisfaction within a country.

JURISDICTION READINESS (contd.)

Regulation in Overdrive

Existing data suggests that regulatory landscape surrounding sustainability is rapidly evolving. Globally, it is estimated that there are now more than a thousand ESG regulations, including more than 200 relevant regulations in Asia, a two-fold increase since 2016.

Recent developments suggest that regulators are increasingly imposing mandatory requirements on listed companies to disclose their ESG performance through comprehensive reports. As one board director observed, “Regulation kind of makes you aware. And I think once they see the benefit of sustainability, that can get the ball rolling.”

Board directors highlighted that while listed companies are subject to these regulations, the challenge lies in convincing unlisted private sector organisations of the benefits of compliance. Another board director pointed out, “As a listed company, you are regulated, but as an unlisted private sector organisation, which is the vast majority of companies, how do you convince someone that the extra cost of an audit, the extra cost of developing good reporting systems is going to benefit them? It’s a hard argument to make in the short term, right?”

Regulatory pressure serves as a catalyst for broader awareness and action, driving organisations to recognise the tangible benefits of sustainability reporting and adopt responsible business practices. But is regulation enough to drive action with genuine intent to make the world a better place? Perhaps it is necessary but not sufficient, as explained in the introduction segment of this report.

SUSTAINABILITY REGULATIONS IN APAC

MALAYSIA
Bursa Malaysia’s enhanced Sustainability Reporting Framework (2022) mandates Main Market-listed issuers to disclose the “common sustainability matters” and waste management and emissions indicators. ACE Market-listed issuers only have to disclose common sustainability matters for the financial year ending on or after 31 Dec 2025.

VIETNAM
Prime Minister (in 2021) approved the National Strategy on Green Growth for 2021–2030, with a vision to 2050. This sets out general objectives of the state to accomplish green growth and transition towards a carbon-neutral economy.

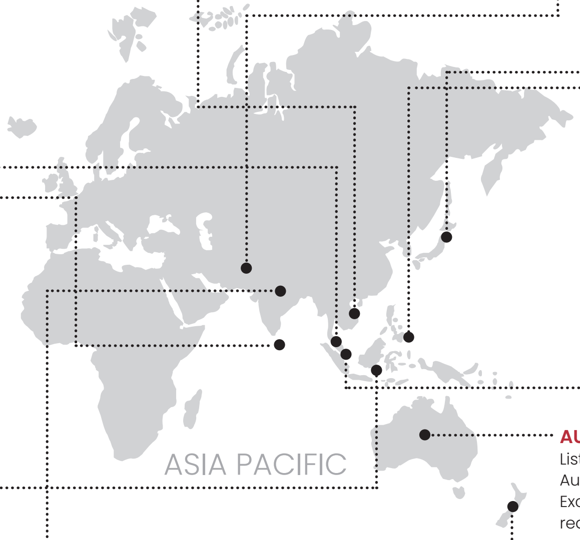
PAKISTAN
Securities and Exchange Commission of Pakistan (SECP) released preliminary guidelines (2023) for ESG disclosures. SECP proposed additions to the role of the board and its members to address sustainability risks and opportunities. State Bank of Pakistan issued the Environmental & Social Risk Management (ESRM) Implementation Manual for Financial Institutions in collaboration with the IFC in Nov 2022.

JAPAN
Corporate Governance Code by the Tokyo Stock Exchange sets out sustainability disclosure requirements for listed companies.

PHILIPPINES
From 2023 (2022 reporting period), all publicly listed companies are mandated to comply with the Sustainability Reporting Guidelines.

SRI LANKA
SEC’s (Securities and Exchange Commission of Sri Lanka) Enhanced Corporate Governance Rules (2023) mandate listed companies to establish, disclose and maintain board policies for ESG.

SINGAPORE
The Singapore Exchange (SGX) has progressively introduced rules requiring listed companies to publish sustainability reports since 2017. Every issuer is mandated to issue a sustainability report every financial year on a comply-or-explain basis.



AUSTRALIA
Listed entities on the Australian Securities Exchange (ASX) are required to publish annually a corporate governance statement, disclosing the extent to which the entity has followed recommendations set by the ASX Corporate Governance Council. These include "any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks."

INDONESIA
Otoritas Jasa Keuangan (OJK) requires PLCs and financial institutions to publish sustainability reports (2021). Non-publicly listed companies utilising natural resources must prepare a corporate social and environmental responsibility plan under Government Regulation (2012).

INDIA
Companies Act 2013 makes Corporate Social Responsibility (CSR) compliance mandatory. Business Responsibility and Sustainability Report (BRSR) disclosures are mandatory for the top 1,000 public listed companies.

NEW ZEALAND
New Zealand's Exchange (NZX) Corporate Governance Code mandates ESG disclosure recommendations for NZX-listed issuers. In July 2023, the New Zealand government announced that organisations with NZD20 million or more in annual revenue are to report on modern slavery and worker exploitation risks in their operations and supply chains, as well as actions taken to prevent, mitigate and remediate those risks.

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COMPANY READINESS

Company Context Influences Leaders' Focus on Sustainability

Organisational context plays a pivotal role in shaping the mindset and priorities of both management and boards regarding sustainability. We learnt through our research conversations that several key factors within the organisational context influence the board's approach towards sustainability. As the graphic on this page suggests, these include industry type, company size, ownership structure, competing priorities and leadership attitude.

Interviewees highlighted that industries in transition or those that may be heavily impacted by sustainability issues, such as energy, transportation or manufacturing, are likely to prioritise sustainability initiatives to mitigate risks and seize opportunities arising from the transition to a more sustainable economy. Conversely, industries with lower environmental or social footprints may exhibit less urgency in addressing sustainability concerns.

Moreover, the size and listing status of the company also influence the board's approach to sustainability. Directors shared that larger listed companies, particularly those with global operations, are often subject to greater scrutiny from investors, regulators and other stakeholders, leading them to prioritise sustainability initiatives to enhance transparency, reputation and long-term value creation. In contrast, smaller unlisted firms may face fewer external pressures and may prioritise other business imperatives over sustainability.

Additionally, organisations that partner with customers who seek mandatory alignment with sustainability or operate in jurisdictions with stricter sustainability regulations are compelled to prioritise sustainability to meet customer expectations and regulatory requirements. Interviewees from export-led companies in Asia emphasised that customer demands for sustainable products or services can drive organisational efforts to embed sustainability into core business practices.

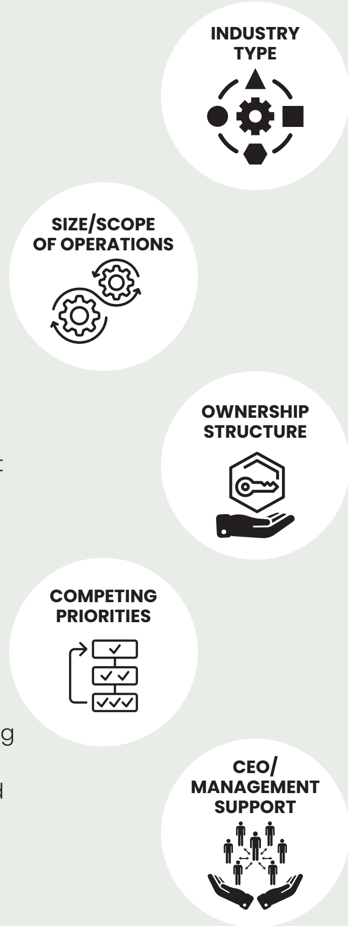
Furthermore, we heard that economic conditions can influence the prioritisation of sustainability initiatives. Several board directors highlighted that companies facing survival issues or navigating through tough economic cycles may deprioritise sustainability in the medium term to focus on immediate financial concerns. Economic uncertainties, such as the fear of an economic slowdown or global tensions, can exacerbate this tendency, leading boards to prioritise operational survival over sustainability. As one board member noted, "Fear of an economic slowdown and the current volatile geopolitical scene drive boards to prioritise operational survival over sustainability."*

Lastly, as the graphic highlights, CEO and management attitudes towards sustainability significantly influence board action. Strong leadership commitment to sustainability can drive organisational efforts to integrate sustainability into strategic decision-making processes and foster a culture of sustainability throughout the organisation. Conversely, leadership scepticism towards sustainability can impede the effectiveness of sustainability initiatives.

COMPANY DRIVERS INFLUENCING INTENT

"We are an industry in transition, and we fundamentally believe that if we don't act [on sustainability] and do it right, there will be no business in 10 to 20 years."

"There are some organisations, especially export-oriented organisations in the large apparel industries that are ahead [in driving sustainability], because they are exposed to the global standards. So, they do not wait for the regulator."



"Concentrated ownership structure makes a big difference cause the controlling shareholder can influence the mandate through nominee directors either for or block the sustainability agenda."

"The economic strength of a company heavily influences its capacity for sustainability; during financial struggles, such as post-Covid and recessions, sustainability often takes a backseat."

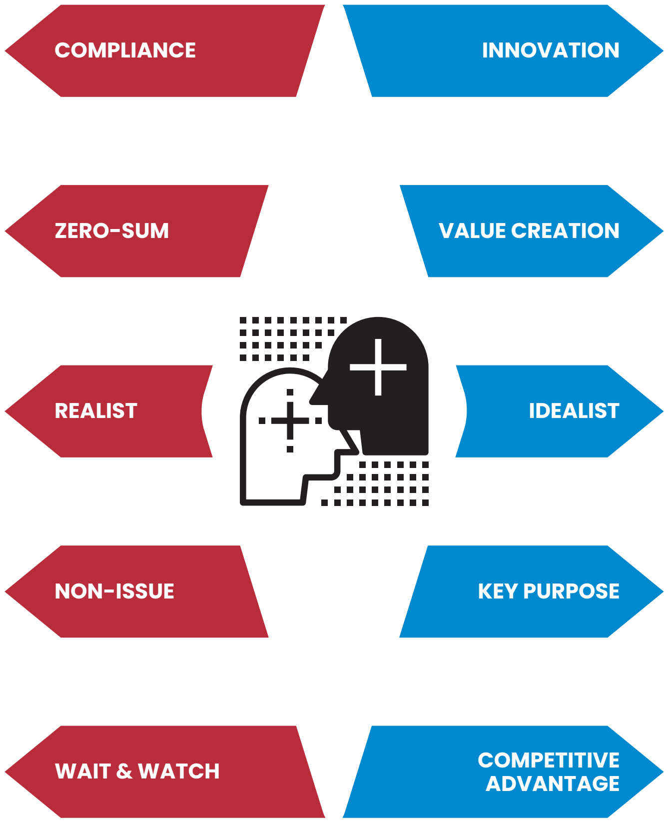
"Sustainability flows from the organisation culture; you can't have a management that is greenwashing and the board that believes in sustainability because at the end of the day, the management has to go out and execute the sustainability agenda."

*While several board directors, especially those in developing countries, expressed such sentiments, we at SAC feel that such thinking can have serious consequences towards long-term organisational success (more details in the "What We Recommend" section).

BOARD READINESS

Collective Mindset Influences Board Action

MINDSET POLARITY AT PLAY



"A lot of mindspace is still given to making sure we're reporting things correctly, and that assurance and other requirements are met properly."

"For 99% of us [boards], sustainability is a 'zero-sum' game. If I pursue sustainability, then I must compromise profits."

"I am a realist; if we are moving in the 'right' direction, we are good; we must balance profit with sustainability."

"I am quite sceptical of ESG; just look around and while you hear a lot of noise, there is very little happening in real terms."

"Our board likes status quo, so we'd rather not do anything, until we see most of the industry moving in the same direction."

"Embracing sustainable practices are critical to the enduring success of the company; it requires a willingness to invest in new technologies, even if the payback period is long."

"The board has a consensus that financial return is not the only performance indicator, and we have to continuously create value for all stakeholders, including employees, customers, investors, regulators, vendors."

"There's a whole bunch of people out there who want all companies to either embrace sustainability or close down."

"Sustainability agenda is intricately linked to the organisation's overall success, longevity and purpose."

"We want to use this [sustainability] to differentiate ourselves from our competitors to get a better pricing, better valuations, more employee retention."

We noticed through our conversations that board directors often exhibit very diverse, sometimes even diametrically opposite, mindsets towards sustainability. For instance, as the graphic on this page suggests, one mindset polarity is the "realist" versus "idealist" perspective. Realist boards may prioritise practical considerations, such as immediate financial concerns or regulatory compliance, while idealist boards may prioritise long-term sustainability goals and aspirations, regardless of short-term challenges.

Another polarity is the purpose-based motivation versus a "non-issue" attitude towards sustainability. Boards with a purpose mindset view sustainability as integral to the organisation's mission and values, while those with a non-issue attitude may perceive sustainability as peripheral or irrelevant to the core business objectives.

Additionally, boards may display a "compliance versus innovation" mindset. Compliance-focused boards may view sustainability as a checkbox exercise to meet regulatory requirements, while innovation-focused boards may see sustainability as an opportunity to drive business innovation, differentiation and competitive advantage.

Furthermore, boards may adopt a wait-and-watch approach, deferring action on sustainability initiatives until regulators drive action or market forces necessitate change. In contrast, proactive boards leverage sustainability as a strategic tool to gain a competitive edge, anticipating future trends and seizing opportunities to enhance stakeholder value.

These mindset polarities often significantly shape board priorities and decision-making processes.

BOARD LEADERSHIP

Board Chair Often Holds the Key

Interviewees were unanimous in their view that one factor that shapes a board's ability to drive sustainability is leadership, particularly the role of the chair, and to some extent the role of the CEO or Managing Director (MD), in providing direction, ensuring alignment, and fostering a culture of psychological safety within the boardroom.

The board chair serves as a pivotal figure in steering the board's focus towards sustainability. As one board member remarked, "The chair's responsibility extends beyond merely facilitating discussions; they must invite diverse perspectives."

However, cultural dynamics, particularly in the Asian context, may present challenges to open dialogue within the boardroom. The authority bias inherent in hierarchical structures can hinder dissenting opinions. Another director opined that the chair must actively work to mitigate this bias and encourage constructive debate.

Some board chairs we interviewed also emphasised that alongside their leadership, the CEO or MD plays a vital role in driving sustainability initiatives forward. The executives are responsible for translating the board's vision into actionable strategies and embedding sustainability principles into the organisation's culture and operations.

One of the interviewees highlighted, "You need one or two key people on the board with a voice to drive sustainability, perhaps not necessarily the noisiest person." Having multiple influential voices on the board who advocate for sustainability can significantly impact the organisation's direction.

By providing direction, ensuring alignment, and fostering a culture of open dialogue, board chairs and CEOs can play a pivotal role in shaping an organisation's sustainability strategy and driving positive impact.

Several interviewees also highlighted that board culture, characterised by its collective beliefs, norms and assumptions, significantly influences how effectively the board operates and drives progress on key initiatives, including sustainability. From our interviews, we teased out the following factors that often shape board culture: willingness to collaborate, commitment individual directors have towards their role, ability to challenge each other respectfully, transparency of discussion, and trust levels. One of the interviewees shared, "Boards that actively engage with each other demonstrate collaborative spirit and are able to accomplish a lot more. If board members are able to put forward their views and these are openly discussed, I think that's what makes a good board. And finally, at the end of it, even if there are differences, you agree to a certain plan of action, and you run with the consensus."

3 KEY ROLES OF THE CHAIR

"If the chairman doesn't believe in it [sustainability], you're toast, since he/she controls the agenda of the board."

PROVIDE DIRECTION

"I'd say the role of the chair, when you're talking about ESG issues, is to keep the board's eyes on the horizon, keep them focused on the purpose and long-term stewardship agenda."

ENSURE ALIGNMENT

"My role as a chief alignment officer is to ensure alignment between external stakeholders and the board, within the board members, between committees and the full board, with the CEO and the management team."

ENGAGE DEMOCRATICALLY

"Chair must make sure all the voices are heard on the board, committee, as well as the management. She must encourage diverse opinions to understand what board members are thinking, whether they agree with the argument, and if they disagree, why."

BOARD LEADERSHIP (contd.)

Influence of Diversity on Board's Ability to Drive Sustainability

Several interviewees emphasised that diversity on corporate boards plays a crucial role in shaping their ability to drive the sustainability agenda. Boards that embrace diversity in age, gender, skills, experience and nationalities bring a range of perspectives and insights to sustainability discussions.

Existing academic research establishes that companies with greater gender diversity on their boards are more likely to prioritise environmental and social issues and demonstrate stronger performance on sustainability metrics.

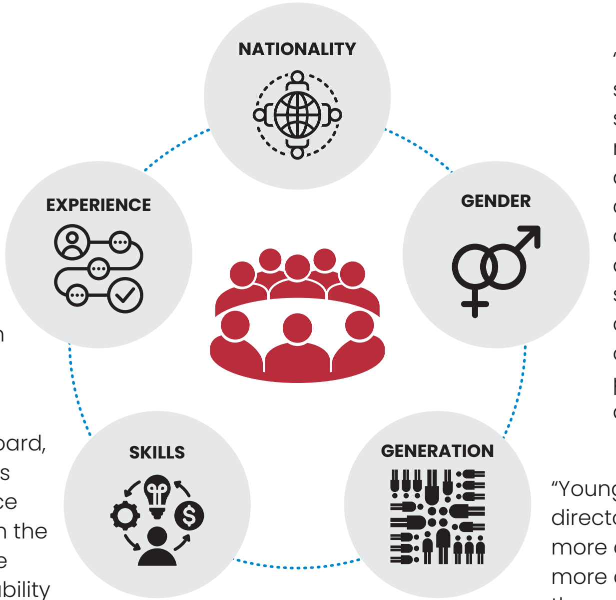
We heard very passionate comments during our interviews on the positive roles diversity of thought, experience, skills, age, gender and nationality can play as boards aspire to steward the sustainability agenda. For instance, we heard that diversity of thought enhances decision-making processes and enables boards to consider a broader array of sustainability risks, opportunities and solutions. Moreover, diversity in skills and experience ensures that boards possess the necessary expertise to address complex sustainability challenges effectively. Interviewees emphasised that boards with directors from diverse professional backgrounds, such as finance, environmental science or social advocacy, are better equipped to develop comprehensive sustainability strategies and navigate the evolving sustainability landscape.

Furthermore, some directors also underscored that diversity in nationality brings valuable perspectives from different regions and markets, enabling boards to understand and address global sustainability issues more comprehensively.

IMPACT OF DIVERSITY ON SUSTAINABILITY PRIORITISATION OF BOARDS

"We have a few European board members, and they bring a very different, mostly more stringent, approach towards sustainability. Since they sit on other boards in UK, Germany, Denmark, they bring that rigour of sustainability with them."

"Board directors with experience in multiple industries often bring best sustainability practices to the table. Balanced boards are more geared towards future proofing than only conforming."



"Without stereotyping, I must share that while men are more about dollars and cents, women board directors, perhaps due to their nurturing side, provide more compelling inputs on sustainability, particularly the social agenda."

"If you look at my board, majority of my peers bring legal or finance skills to the table. I'm the only member on the board with sustainability skills, so I often find it hard to convince my board (on sustainability) since my peers have a regulation, governance and profit leaning."

"Younger board directors are much more aware and much more concerned about the environment and sustainability issues as compared to peers in their seventies. They have grown up in a different era and may not be as forthcoming in embracing sustainability mindset."

Al-Jaifi, H. A., Al-Qadasi, A. A., & Al-Rassas, A. H. (2023). Board diversity effects on environmental performance and the moderating effect of board independence: evidence from the Asia-Pacific region. Cogent Business & Management, 10(2). https://doi.org/10.1080/23311975.2023.2210349

Girón, A. et al. (2022) 'The Impact of Board Gender Diversity on Sustainability Reporting and External Assurance: Evidence from Lower-Middle-Income Countries in Asia and Africa', Journal of Economic Issues, 56(1), pp. 209–224. https://doi.org/10.1080/00213624.2022.2020586

Al-Shaer, H., & Zaman, M. (2016). Board gender diversity and sustainability reporting quality. Journal of Contemporary Accounting & Economics, 12(3), 210–222. https://doi.org/10.1016/j.jcae.2016.09.001

KNOWLEDGE & KNOW-HOW

Ability of Boards to Drive Sustainability

Interviewees emphasised that while familiarity with the latest developments and intricacies of sustainability is crucial, board directors must also possess skills related to compliance and reporting standards. Understanding regulatory requirements and ensuring accurate and transparent reporting are essential components of effective sustainability governance.

Several directors highlighted the need to sharpen leadership skills at the board level. They shared that skills such as curiosity, courage, communication, learning agility and critical thinking are must-haves to move the dial on critical issues at the board level. One board director highlighted that curiosity is paramount, as board members must continuously seek to deepen their understanding of sustainability issues and their implications for the organisation. Another pointed out that courage is needed to ask challenging questions and push for meaningful action on sustainability initiatives, even in the face of uncertainty or resistance. Another director underscored the need for "learning skills" that are vital in a rapidly evolving landscape, where new sustainability challenges and opportunities constantly emerge.

The adjoining graphic lists 10 questions we gathered during our research, which directors may use as guideposts as they reflect on their boards' collective knowledge and skills on sustainability.

AWARENESS AND SKILL UPGRADATION

AUDIT CURRENT AWARENESS & SKILL LEVELS

"We are currently getting our arms around what capabilities we as a board have on sustainability, what are the big gap areas we need to plug; only then we can have a systematic plan to bring in new knowledge and skills."

DRIVE LEARNING INTERVENTIONS

"I always encourage the company to arrange at least once a year, or sometimes twice a year, board training. We bring in experts or academics to brief us on what's the latest on ESG trends and corporate responsibilities."

BRING NEW CAPABILITIES TO THE BOARD

"The board chair has recently directed the nominations committee to discuss with the full board the key must-have skills and capabilities new board directors must have. We are doing this to make sure we are mindful when we refurbish our board."

QUESTIONS BOARDS MUST REFLECT ON

1. Is the board aware of knowledge it must gather and skills it must build on to effectively drive sustainability?
2. Does our board have adequate awareness and understanding of how E and S issues may affect the company?
3. Who is responsible for sustainability at the board level; can they influence board decisions (e.g. committee chairs)?
4. What actions has the board taken to ensure it remains sufficiently educated about the relevant sustainability-related risks and opportunities for its business?
5. What kind of skills does the board aspire to incorporate into the desired profile for a new board director?
6. Does the nominating committee include sustainability skills, expertise, knowledge and experience as factors in director recruitment?
7. Does new director orientation include a review of the organisation's ESG risks and opportunities?
8. Is ESG education provided to directors as part of their ongoing development?
9. Does the board understand how sustainability issues affect the company's business environment and how to create opportunities and identify risks?
10. Is ESG competency included in the board evaluation/assessment process?

DIRECTOR SPEAK

Is Sustainability Expertise a Must-have on the Board?

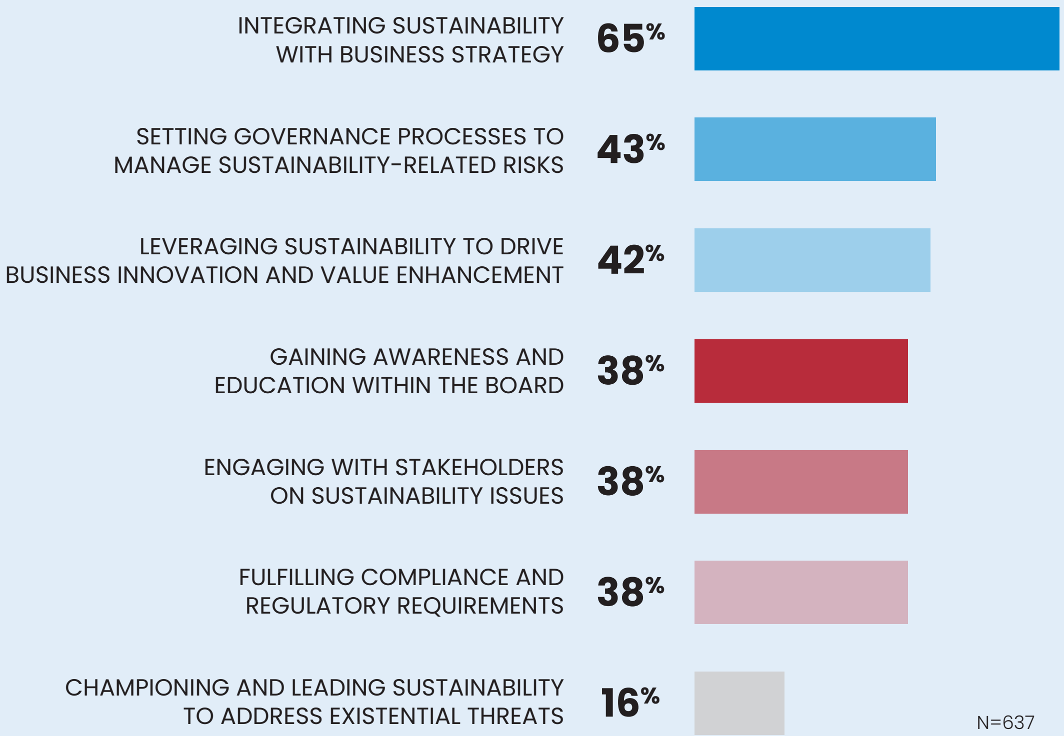
"Contrary to popular belief, adding a sustainability expert on the board does not always make for the most expedient change agenda. The strongest changes are often driven by business-oriented non-sustainability board members, because they may have the other relationship capital and business experience that the collective decision-making gravitates towards. Also, sustainability expertise can be bought. Or you can get advisors, hire executives, or engage consultants; you don't need that specific skill set on the board. You could even get creative and set up sustainability advisory panels or get co-opted members, just to get that expertise."

BUSINESS INTEGRATION

Business Integration Agenda is Top-of-Mind

KEY BOARD PRIORITIES

Data represents % respondents who selected the priority as one of their top three when their board embeds sustainability within the organisation.



Boards prioritise various aspects when implementing the sustainability agenda. As the survey data suggests, chief among these priorities is the integration of sustainability with the organisation's business strategy, with 2 out of 3 survey respondents responding accordingly. By aligning sustainability goals with business objectives, boards can ensure that sustainability becomes embedded in the core operations and decision-making processes of the organisation.

Additionally, establishing robust governance processes is a key priority for boards. As you will see in a subsequent segment, effective governance mechanisms enable boards to oversee sustainability initiatives, monitor progress and hold management accountable for achieving sustainability targets.

Furthermore, boards recognise the potential of sustainability to drive business innovation and value enhancement. Interviewee board directors emphasised that organisations can identify new opportunities, improve efficiency, and create value for stakeholders by leveraging sustainability as a catalyst for innovation.

These priorities reflect the growing recognition of sustainability as a fundamental driver of long-term success and resilience in today's business landscape. The next page highlights a typical sustainability and business integration journey.

"Our key priority is to align our sustainability goals with our financial objectives and ensure that sustainable practices are intricately interwoven into the very fabric of our organisational strategy and operations. This integration fosters a comprehensive approach that recognises the symbiotic relationship between sustainable practices and enduring financial success, fostering a comprehensive perspective that acknowledges both ethical imperatives and financial outcomes."

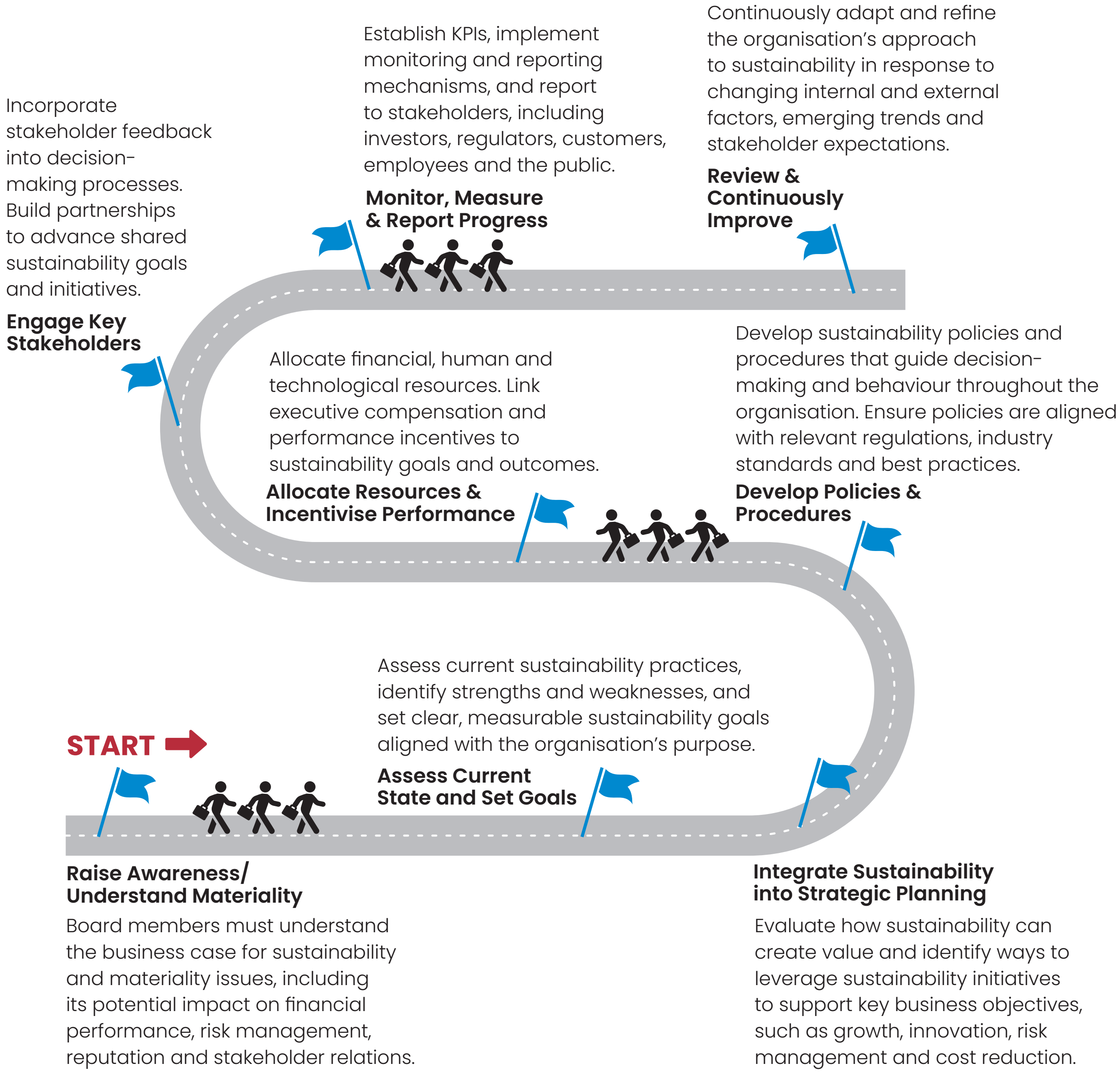
BUSINESS INTEGRATION (contd.)

Aligning Sustainability with Business

Integration of sustainability with business strategy is a multi-step process. Interviewee directors highlighted that such a journey involves identifying key sustainability risks and opportunities relevant to the organisation's industry and stakeholders; setting clear sustainability goals aligned with the organisation's mission and vision; and finally, allocating resources and prioritising initiatives that support sustainability objectives, integrating them into day-to-day operations and decision-making. As one board director shared, "Make sure to measure all the right metrics to understand where we actually sit on the ESG framework, and then map out where we'd like to be on that framework, right? So you start out at say, point A, and you decide okay, I want to be at point B. Then what are the steps that we take to get to point B? And then from there, you build that [sustainability] into the business plan, you build that into the budgets, you build that into the incentives for management, so that it becomes just another performance metric that you need to achieve and that you can be held accountable for. I think that is the sort of approach we must adopt."

> **"Sustainability should be integrated into every facet of decision-making processes, moving away from considering it as a separate initiative to embedding it at the core of the company's operations. The perception of sustainability as a risk must be replaced with an understanding of its role in risk management, acknowledging that environmental and social risks can significantly impact long-term viability, necessitating proactive measures for mitigation. A shift from a shareholder-centric approach to actively engaging with a broader set of stakeholders is crucial, recognising the importance of aligning the sustainability agenda with broader societal needs and expectations."**

BOARD SUSTAINABILITY INTEGRATION JOURNEY



BUSINESS INTEGRATION (contd.)

Sustainability Ownership Defines Board Success

As we interviewed directors across APAC, we learnt that governance models for sustainability on boards vary depending on the organisation's priorities, industry and stage of transition towards sustainability.

One approach is to integrate sustainability as a full-board agenda item deeply intertwined with the business strategy. This ensures that sustainability considerations are thoroughly discussed and integrated into decision-making processes at the highest level. As one board member stated, "We haven't set up subcommittees entirely because, owing to the oil and gas industry that we are in, we feel sustainability is important enough to be a whole board issue."

Several board directors we interviewed prescribed that organisations opt for a separate sustainability committee, dedicated solely to addressing sustainability issues. Such a committee can focus on setting sustainability goals, monitoring progress, and advising the board on sustainability-related matters. In some cases, organisations mandate sustainability responsibilities within existing committees such as risk, governance or people, reflecting the interconnected nature of sustainability with various aspects of corporate governance. We also hear variations of this approach—including non-board members or external experts in a sustainability advisory committee.

One interviewee director emphasised that regardless of the governance model adopted, the primary focus of the board should be to ensure compliance with regulations, embrace best sustainability practices and conduct business ethically.

The chart on this page, derived from INSEAD's "Designing Sustainability Governance: Board structures and practices for better ESG performance" report, sums up the most popular governance models we heard in our research conversations with independent board directors in APAC.

SUSTAINABILITY & BOARD GOVERNANCE MODELS

	FULL BOARD	DEDICATED COMMITTEE	EXISTING COMMITTEE	MULTIPLE COMMITTEES	CHAIR/ DIRECTOR/ C-SUITE	AD-HOC
MODEL	Sustainability is a full-board responsibility, and all agenda items include some consideration of sustainability implications.	A standalone committee, with its own charter and agenda, owns sustainability.	Sustainability is integrated into an existing committee's charter (governance, audit, remuneration, etc.).	Sustainability is distributed as a shared responsibility among some or all of the existing board committees.	One director or C-suite leader is assigned as the official "champion," responsible for owning and updating the board on sustainability issues.	The board deals with sustainability on an ad-hoc basis. No specific committee or director/ leader has an official ESG mandate.
PROS	Makes sustainability a permanent boardroom agenda.	Communicates strong board commitment and enables detailed deliberations.	Easy to set up through editing of the existing charter.	Enables integration of sustainability agenda with key aspects of business.	Easy to implement; may enable alignment between the board and executives.	None.
CONS	Limits participation of non-board members; may allow limited time for deep-dive discussions.	Needs dedicated resources; may miss full-board perspective in sustainability discussions.	May become a fringe item in the existing committee discussion.	Complex to coordinate; may provide a patchy treatment of sustainability.	Sustainability may remain a fringe item for the board, especially if an executive owns it.	Sustainability is inevitably neglected.

Soonieus, R. (2022). Designing Sustainability Governance Board structures and practices for better ESG performance [Image]. BCG–INSEAD Board ESG Pulse Check. Retrieved January 10, 2024, from https://www.insead.edu/sites/default/files/assets/dept/centres/icgc/docs/designing-sustainability-governance-report-march2022.pdf

BUSINESS INTEGRATION (contd.)

Boards Must Drive Sustainability Culture

Interviewees highlighted that while it is underemphasised, the role of boards in driving and enabling a culture of sustainability within organisations is paramount. One director explained that while the CEO and leadership team promote and champion sustainability initiatives, the board must set the tone at the top and provide strategic guidance to ensure that sustainability remains a core value and priority throughout the organisation. He highlighted, "The tone from the top is necessary. It has to start from the top because if the boss doesn't think this is important, nobody will think this is important." Board members must demonstrate visionary leadership by articulating a clear vision for sustainability and emphasising its strategic importance to the organisation's long-term success.

Furthermore, the board plays a critical role in policy development and oversight related to sustainability. By establishing robust sustainability policies and frameworks, including those around incentives and performance metrics, the board sets the groundwork for embedding sustainability into the organisation's DNA. This ensures that sustainability considerations are integrated into decision-making processes across all levels of the organisation.

Additionally, the board is responsible for appropriate resource allocation and setting accountability for sustainability outcomes. By allocating sufficient resources, both financial and human capital, to support sustainability initiatives, the board demonstrates its commitment to driving meaningful change.

An interviewee highlighted that at the core of the board's role is its duty of care and responsibility to identify and manage climate risks while seizing opportunities presented by the transition to a more sustainable future. He stated, "It is our duty of care, our responsibility to ensure that the business identifies climate risks, manages it, and seizes opportunities that are inevitably going to arise in this massive transition." He further shared that by making it clear to the rest of the organisation that sustainability is a priority, the board sets the stage for widespread adoption and integration of sustainability practices throughout the organisation.

ROLE OF BOARDS IN DRIVING A CULTURE FOCUSED ON SUSTAINABILITY

LEADERSHIP & VISION

- ✓ Set the tone from the top, emphasising the importance of sustainability to the organisation's long-term success.
- ✓ Integrate sustainability into the strategic planning process.

POLICY DEVELOPMENT & OVERSIGHT

- ✓ Develop and monitor sustainability policies.
- ✓ Ensure policy implementation throughout the organisation, aligning with the organisation's overall goals and values.

RESOURCE ALLOCATION & ACCOUNTABILITY

- ✓ Allocate resources, including financial investments, towards sustainability initiatives.
- ✓ Link executive compensation to sustainability performance metrics.
- ✓ Establish robust monitoring and reporting mechanisms.

> **"One, the board should practise sustainability values to be a role model themselves. Two, they must explicitly and implicitly communicate all the way to the lowest level of the organisation. And three, a sustainability mindset must be reinforced through rewards and recognition, lest people forget about it."**

“TODAY, EVEN SHAREHOLDERS, WHO TRADITIONALLY HAVE BEEN VERY MUCH DRIVEN BY MAXIMISATION OF FINANCIAL RETURNS, ARE CHANGING, BECAUSE WHAT’S THE POINT OF MAXIMISING RETURNS, WHEN YOU’RE NOT SURE WHETHER YOU’RE GOING TO BE CLOSED DOWN BY THE AUTHORITIES TOMORROW, OR WHETHER YOUR CONSUMER IS GOING TO ABANDON YOUR PRODUCT TOMORROW?”

- **Independent Director,** ***Financial Services Company.***

III. THREE TAKEAWAYS FROM APAC BOARDS

This chapter shares key takeaways from the survey data we collected across APAC:

1. SUSTAINABILITY IS SELDOM A TOP PRIORITY

While stakeholders continue to push the agenda and governance approaches evolve, sustainability is seldom a top priority.

2. THERE IS LACK OF INTENT & ABILITY

Limiting biases and lack of knowledge often hold boards back.

3. THE HEART, HOWEVER, IS IN THE RIGHT PLACE

Boards acknowledge the need to embrace sustainability, want to dedicate more time to it, and appreciate stewardship values.

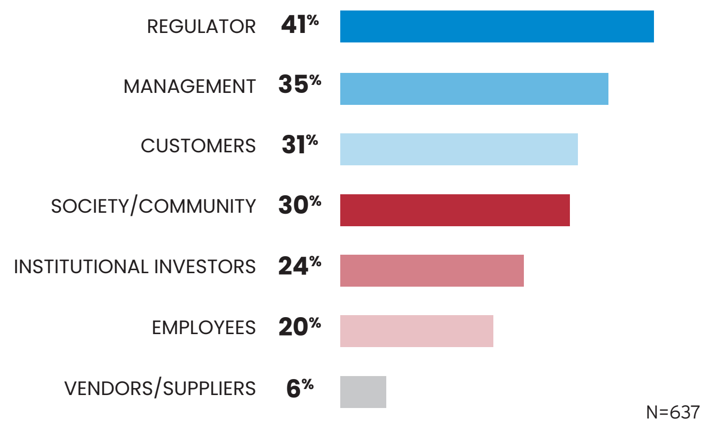
LEARNING 1: SUSTAINABILITY IS SELDOM A TOP PRIORITY

While Stakeholders Continue to Push the Sustainability Agenda…

> **“We [our board] are often walking the tight rope on stakeholder engagement. Depending on the context in which the organisation operates, boards may come under pressure from different stakeholders.”**

KEY DRIVERS OF SUSTAINABILITY

Data represents % respondents who selected the stakeholder as one of their top two drivers of board action on sustainability.



[India: 83, Japan: 18, Malaysia: 94, New Zealand: 85, Philippines: 52, Singapore: 42, Sri Lanka: 22, Vietnam: 66, Pakistan: 39, Indonesia: 28, Australia: 108. Southeast Asia: 282, South Asia: 144, Pacific: 211]

Sum of all percentage values in the chart may not add up to 200% as some drivers (included in the survey) with negligible % value have been ignored.

TOP 2 DRIVERS BY JURISDICTION

As shared in the previous segment, boards of directors shoulder the responsibility of responding to the expectations and pressures exerted by various stakeholders. These stakeholders encompass a broad spectrum, including regulators, customers, employees, management, suppliers, vendors and society at large. However, the nature and intensity of these expectations and pressures boards experience can vary significantly depending on the maturity of the jurisdiction in which the organisation operates.

We learnt from the interviewees that in more mature jurisdictions, boards may find themselves more driven by their broader responsibility towards the community and the evolving expectations of customers. Regulatory compliance remains a crucial consideration, but boards understand that true sustainability transcends mere adherence to legal mandates. They recognise the importance of aligning business practices with societal values and expectations, as well as meeting the increasing demand for environmentally friendly products and services. They understand that businesses play a pivotal role in shaping social and environmental outcomes and must, therefore, act as responsible corporate citizens. Consequently, boards prioritise initiatives that promote social equality, environmental stewardship and ethical conduct, reflecting their commitment to the well-being of society.

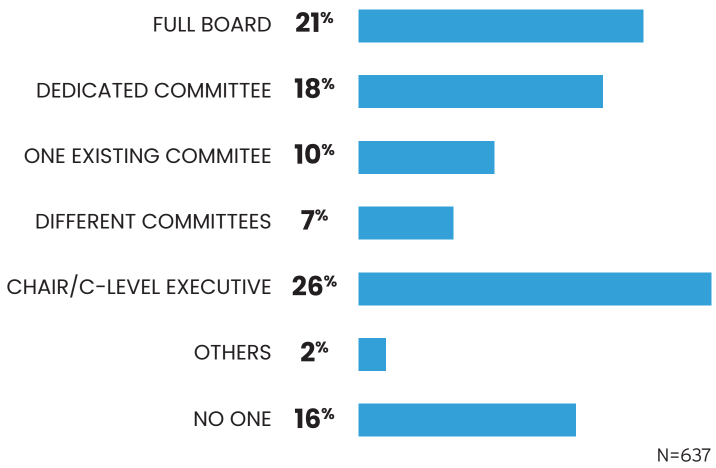
Board directors also shared that, quite conversely, in comparatively less mature jurisdictions where regulatory frameworks and institutional support may be less developed, boards may primarily respond to regulatory pressures and the demands of employees and management. However, even in these contexts, there is a growing recognition of the importance of sustainability and ethical business practices. As one board director aptly noted, “There are many sources of pressure, for instance, funders, especially for renewable energy and property companies, look at the green aspects of your business. So even if we don’t push it as hard in the board, the fact that potential investors are asking for sustainability should drive action at the board and management level.”

LEARNING 1: SUSTAINABILITY IS SELDOM A TOP PRIORITY (contd.)

Governance Approaches Continue to Evolve...

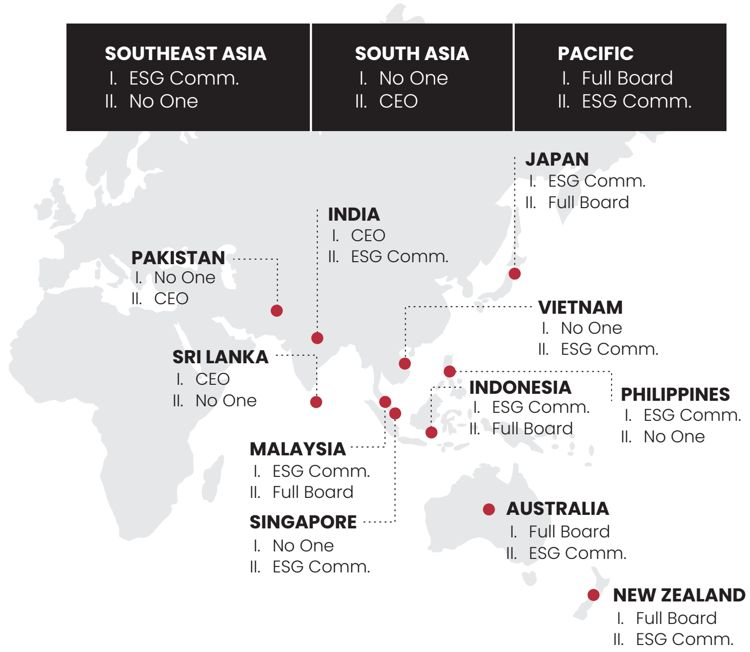
SUSTAINABILITY GOVERNANCE MODELS

Data represents % respondents choosing where responsibility for sustainability sits within their board.



[India: 83, Japan: 18, Malaysia: 94, New Zealand: 85, Philippines: 52, Singapore: 42, Sri Lanka: 22, Vietnam: 66, Pakistan: 39, Indonesia: 28, Australia: 108. Southeast Asia: 282, South Asia: 144, Pacific: 211]

TOP 2 GOVERNANCE MODELS BY JURISDICTION



Data suggests that the governance of sustainability within boards of directors varies widely across APAC organisations, reflecting the diverse approaches to addressing environmental and social challenges. Interviewee directors emphasised that while there is no one-size-fits-all model, companies often tailor their governance structures based on their stage of transition and the level of impact sustainability outcomes may have on their operations.

For instance, in companies undergoing significant transition or heavily impacted by sustainability factors, a separate committee dedicated to sustainability governance may be established. This approach allows for focused attention on sustainability issues, beyond mere compliance obligations, as noted by one director: “Having a sustainability committee elevates the emphasis on the subject.”

However, we learnt that the need for a separate sustainability committee remains a topic of debate, with some questioning its efficacy. As one director remarked, “Do we need a separate sustainability committee? I think the jury’s still out on that one.” Some board directors argued that integrating sustainability into existing committees, such as risk or people, may provide a more holistic approach to addressing sustainability challenges, particularly when considering behaviour change and risk mitigation.

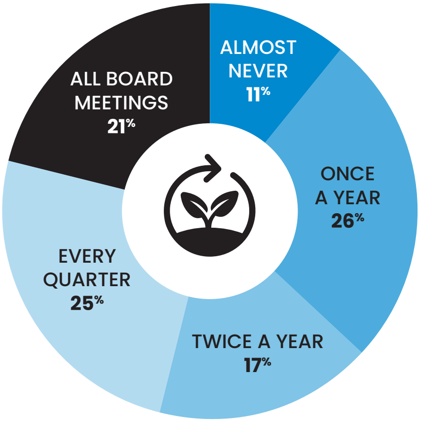
Most interviewee directors, however, agreed that in more progressive organisations, sustainability is integrated into the full-board agenda, reflecting a recognition that sustainability impacts all aspects of business strategy and operations. This approach underscores the importance of embedding sustainability considerations into the organisation’s DNA, rather than treating it as a standalone issue.

LEARNING 1: SUSTAINABILITY IS SELDOM A TOP PRIORITY (contd.)

…Sustainability is Seldom Top Priority for Boards

SUSTAINABILITY AS A PRIORITY

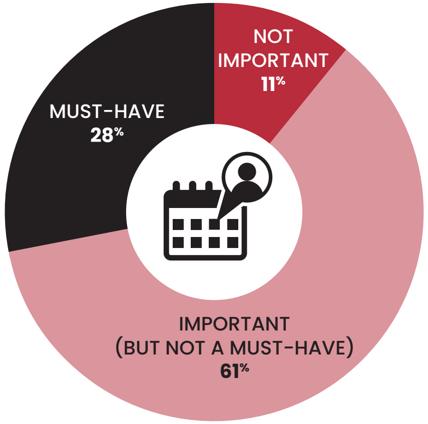
Data represents % respondents who selected the frequency of evaluation of progress on ESG considerations (such as uplifting society, enhancing employee well-being and conserving the environment) on their board.



	SOUTHEAST ASIA	SOUTH ASIA	PACIFIC
Almost Never	13%	13%	7%
All Board Meetings	15%	14%	32%

SUSTAINABILITY & NEW BOARD APPOINTMENTS

Data represents % respondents who selected the importance of sustainability expertise/knowledge in new appointments on their board.



	SOUTHEAST ASIA	SOUTH ASIA	PACIFIC
Not Important	8%	14%	13%
Must-have	33%	35%	17%

N=637

[India: 83, Japan: 18, Malaysia: 94, New Zealand: 85, Philippines: 52, Singapore: 42, Sri Lanka: 22, Vietnam: 66, Pakistan: 39, Indonesia: 28, Australia: 108. Southeast Asia: 282, South Asia: 144, Pacific: 211]

"I think everybody is for sustainability, however, it's not the burning platform for many, many boards, particularly in the current climate where priorities have somewhat shifted since the economy is quite dire."

Survey data suggests that sustainability, despite its growing prominence in public discourse, often fails to secure a top spot on the agendas of corporate boards. In the Asia-Pacific region, only a fraction of boards discuss sustainability in every meeting, with many addressing it infrequently or not at all throughout the year. As shared in Section 1, historical data suggests that boards typically spend the bulk of their time in financial analysis and compliance activities. A mere 28% of surveyed board directors consider sustainability expertise a non-negotiable criterion in new board director hiring decisions, indicating a lack of prioritisation in board composition.

As one board director candidly put it, "Currently we have a situation where companies are like, yes, sustainability is nice to drive, and some of us will do it to whatever extent we can, but this is not something which a board will effectively push on to their management because boards by and large, look at their role with a very narrow lens of shareholder wealth creation." This sentiment underscores the prevailing mindset among boards, where the pursuit of shareholder wealth often takes precedence over broader environmental and social considerations.

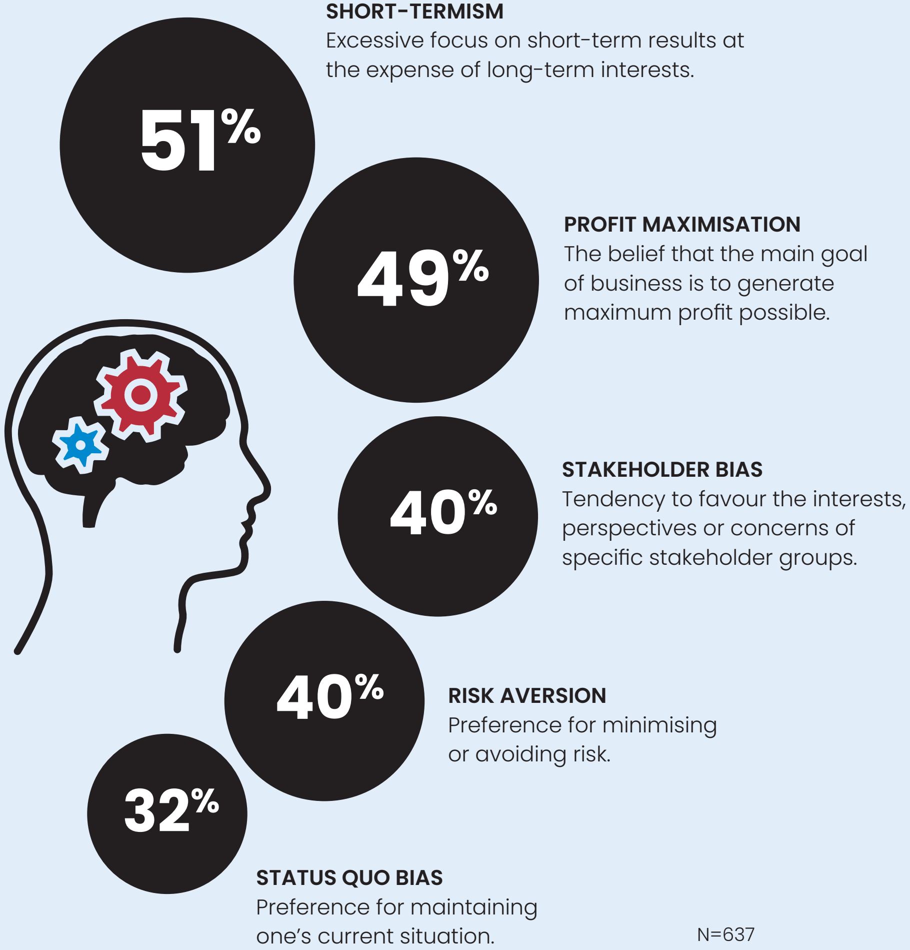
Interviewee directors warned that failure to prioritise sustainability at the board level risks undermining the long-term viability of businesses. They advised boards to recognise the strategic importance of sustainability and actively champion its integration into decision-making processes, governance structures and corporate culture.

LEARNING 2: THERE IS LACK OF INTENT AND ABILITY

Limiting Biases...

TOP 5 BOARD DIRECTOR BIASES

Data represents % respondents who selected the bias as one of the top three most prevalent on their board.



N=637

As the survey data suggests, board directors in APAC may encounter various biases that shape their perspectives and influence their approach to sustainability issues. One prevalent bias is short-termism, where boards prioritise immediate financial gains over long-term sustainability considerations. This mindset often stems from pressure to deliver quarterly results and meet short-term shareholder expectations, leading to decisions that prioritise profit maximisation over environmental or social impacts.

Moreover, the overarching goal of profit maximisation can overshadow other considerations, such as environmental stewardship or social responsibility. Boards may be inclined to prioritise actions that directly contribute to financial growth, relegating sustainability initiatives to a secondary or peripheral role.

Additionally, shareholder bias can sway board decisions, particularly when shareholders prioritise financial returns above all else. This bias may lead boards to overlook sustainability concerns or downplay their significance in favour of measures that directly enhance shareholder value.

Furthermore, risk aversion can hinder boards from embracing sustainability initiatives, particularly when perceived risks outweigh potential benefits.

Interviewees emphasised that such biases may colour board judgment on sustainability issues, hindering meaningful progress and perpetuating a narrow focus on short-term financial performance. As one director aptly noted, "Those boards that still think that this is a reporting and disclosure problem may be going deeper into a rabbit hole that they can never come out of." This quote highlights the danger of viewing sustainability solely as a compliance issue rather than a strategic imperative.

Directors reiterated that boards must recognise that their responsibilities extend beyond financial outcomes to encompass broader strategic considerations, including sustainability. As another director emphasised, "The board is not just responsible for financial outcomes; it's responsible for strategy, it's responsible for culture. And I would say that ESG plays an important part in all these areas considerations."

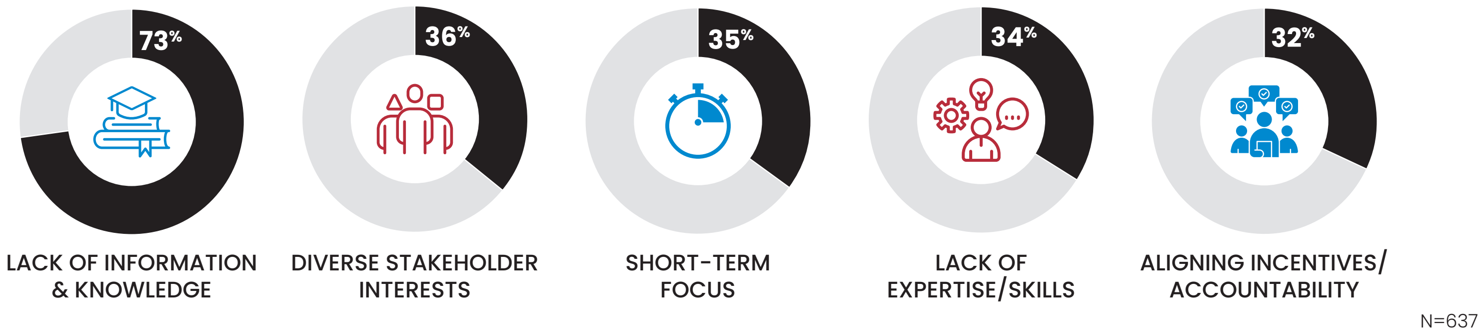
"As they say, the fish rots from the head; the board therefore must positively shape the mindset in the organisation. Failure to do so will have far reaching consequences on the long-term future."

LEARNING 2: THERE IS LACK OF INTENT AND ABILITY (contd.)

And Lack of Knowledge Often Holds Boards Back

STALLS BOARDS MUST OVERCOME AS THEY DRIVE THE SUSTAINABILITY AGENDA

Data represents % respondents who selected the challenge as one of the top three (on their board) in integrating sustainability into their organisation.



Sum of all percentage values in the chart may not add up to 300% as some challenges (included in the survey) with negligible % value have been ignored.

> **"One of the biggest drivers of board success is awareness, because the field is pretty new, and because many board directors grew up in their business life at a different time in the 80s or 90s, with a very different set of values, and perhaps a different focus from a business perspective. The biggest barrier, and also the biggest opportunity, is sustainability education."**

Data suggests that boards in APAC face significant hurdles in their journey towards sustainability, with several key obstacles impeding progress. One major challenge is the lack of knowledge and understanding of sustainability issues among board members. Interviewees shared that despite increased awareness, many directors may lack a deep understanding of the complexities of sustainability and its implications for business operations. As one board director lamented, "Of course, we have heard about sustainability, but there's no deep understanding of what it really is and what if we don't embrace it." This lack of knowledge can hinder effective decision-making and prevent boards from fully grasping the importance of sustainability in driving long-term value.

Additionally, boards must contend with diverse shareholder interests, making it difficult to prioritise sustainability initiatives that may not align with the short-term goals of certain stakeholders. Board directors shared that balancing the competing demands of shareholders who prioritise financial returns with those who advocate for environmental and social responsibility can pose a significant challenge for boards striving to embed sustainability into corporate strategy.

Furthermore, the lack of expertise in sustainability matters within boardrooms can hamper progress. We heard during the interviews that boards often struggle to recruit directors with the necessary experience and knowledge to effectively oversee sustainability initiatives and hold management accountable for their implementation. Without the requisite expertise, boards may find it challenging to develop and execute robust sustainability strategies that deliver tangible results.

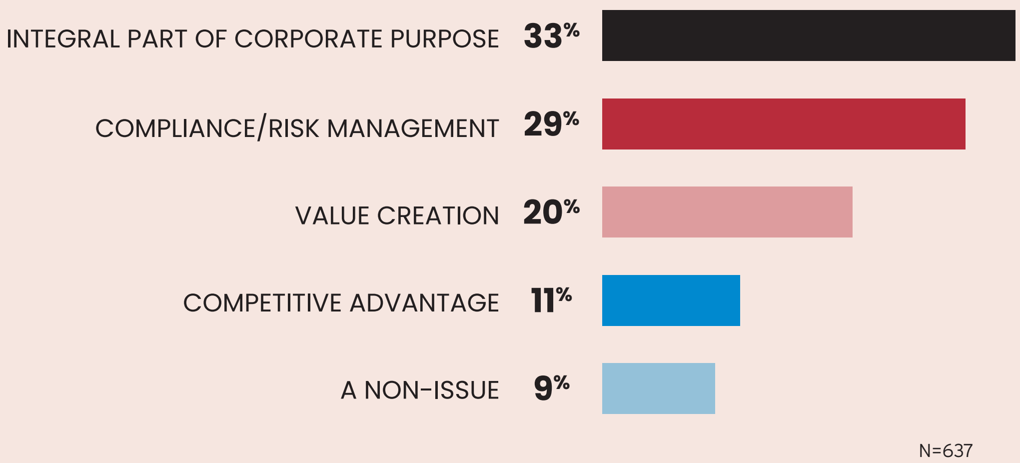
Finally, several directors underlined the need to align incentives and accountability within management teams to drive meaningful progress on sustainability. Incentive structures that prioritise short-term financial performance over long-term sustainability goals can create conflicting priorities and hinder the integration of sustainability into corporate culture. Interviewees advised that boards must work to align incentives and establish clear accountability mechanisms to ensure that sustainability remains a core focus of management's decision-making processes.

LEARNING 3: THE HEART, HOWEVER, IS IN THE RIGHT PLACE

Boards Acknowledge the Need to Embrace Sustainability…

SUSTAINABILITY MOTIVATORS

Data represents % respondents who selected the motivating factor shaping their board's collective view on sustainability.



Sum of all percentage values in the chart may not add up to 100% due to rounding off.

Interviewees suggested that despite the challenges and hurdles faced by boards in the pursuit of sustainability, there is growing recognition of its importance and relevance across the Asia-Pacific region.

As data on this page shows, 1 in 3 board directors in APAC view sustainability as an integral part of organisational purpose. This represents a mindset where sustainability is increasingly being acknowledged as a fundamental aspect of corporate strategy and culture.

Moreover, alongside sustainability, risk management emerges as another key imperative driving boards in their sustainability journey. Boards recognise the interconnectedness of ESG factors with overall business risk, prompting them to prioritise sustainability initiatives as part of their broader risk management strategies. By addressing sustainability risks proactively, boards seek to enhance resilience and safeguard the long-term viability of the organisation.

Furthermore, long-term value creation remains a high priority on the agenda of boards across the region. Recognising that sustainability is not just a moral imperative but also a strategic imperative, boards are committed to driving sustainable growth and generating value for stakeholders over the long term. By integrating sustainability into corporate strategy and decision-making processes, boards aim to unlock new opportunities, mitigate risks and enhance overall business performance.

Only 9%, or roughly 1 in 10 board directors, indicated that sustainability is a non-issue or unnecessarily overhyped.

Overall, we consistently heard during our research conversations that while individual boards may continue to face various challenges and shortcomings in their sustainability journey, there is a clear emerging commitment among board directors in APAC to pursue sustainability initiatives.

"As a board member, it is imperative to recognise that the neglect of environmental or societal challenges could have far-reaching consequences for the organisation. While it might seem that such initiatives primarily address ethical concerns, they are intricately linked to the organisation's overall success and longevity."

LEARNING 3: THE HEART, HOWEVER, IS IN THE RIGHT PLACE (contd.)

Want to Dedicate More Time to It...

As the survey data suggests, boards across the Asia-Pacific region (and perhaps globally) traditionally allocate most of their time to activities focused on historical financial performance, risk evaluation, competitive analysis and compliance. These areas have long been considered essential for ensuring organisational stability and regulatory adherence. As shared earlier (Section 1: What We Knew), the situation has not changed much since 2018.

However, data also reveals a growing recognition among board directors that the focus should shift towards "new-frontier" strategic initiatives.

Board directors in APAC acknowledge the importance of dedicating more time to initiatives centred around sustainability, innovation, leadership, talent development, organisational culture and technology. These areas represent new frontiers that are crucial for driving long-term value creation and sustainable growth in today's rapidly evolving business landscape.

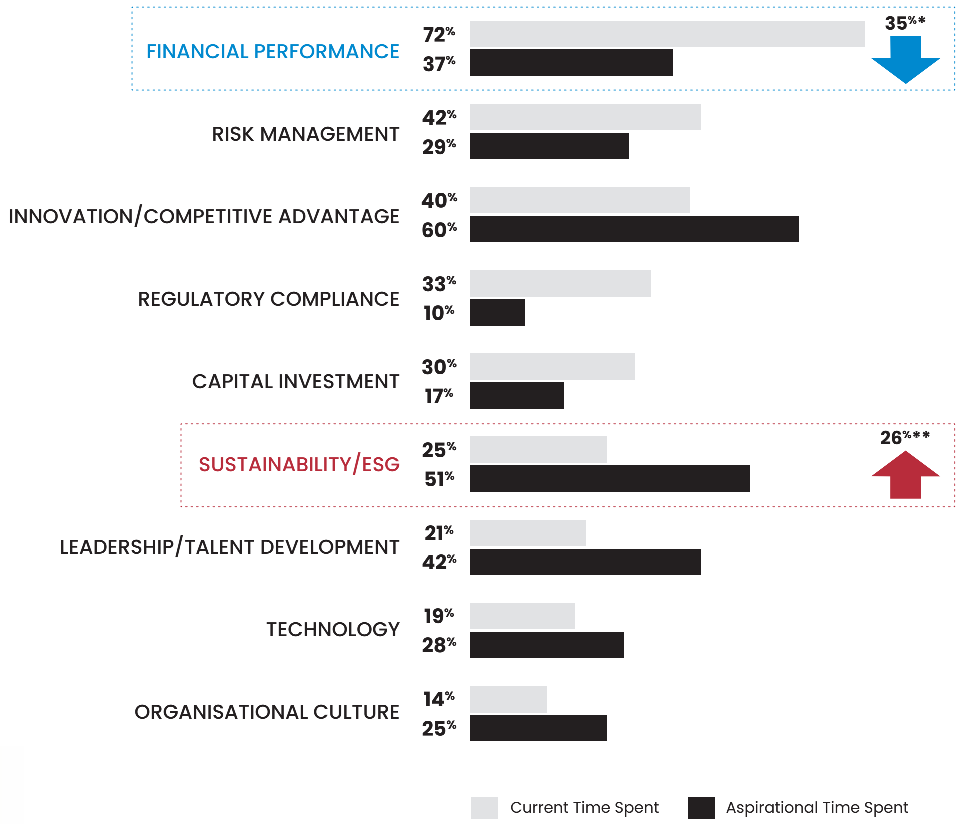
As highlighted in the graphic on this page, innovation emerged as an area where board directors aspire to spend more time. Interviewees underscored that boards play a pivotal role in championing innovation initiatives, fostering collaboration, and allocating resources to drive continuous improvement and adaptation to changing market dynamics.

Leadership and talent development also emerged as a key focus area in the survey. Interviewees opined that by investing in leadership development programmes, succession planning and talent acquisition strategies, boards can ensure that organisations are equipped with the skills and capabilities needed to thrive in a competitive global marketplace.

Board directors unanimously agreed on the need for boards to reassess their activity-time equation and allocate more resources to strategic initiatives that are essential for organisational resilience and long-term value creation. By embracing sustainability, innovation, leadership and talent development, organisational culture, and technology, boards can position their organisations for success in an increasingly complex and dynamic business environment.

BOARD TIME SPENT ON SUSTAINABILITY

Data represents % respondents who selected the activity as one of the top three areas where their board spends/should spend maximum time.



N=637

*% decrease between current and aspirational time spent on "Financial Performance."

**% increase between current and aspirational time spent on "Sustainability/ESG."

> "You want to be 100% when it comes to compliance, you want to be 100% on reporting obligations, so by the time you do that, you have no time or energy left. That takes away from board's time and energy available to really think beyond unless it is very deliberately done and adequate time is carved out on the agenda."

LEARNING 3: THE HEART, HOWEVER, IS IN THE RIGHT PLACE (contd.)

And Appreciate Stewardship Values

As the graphic on this page suggests, in their journey to steward the sustainability agenda, board directors appreciate the importance of adopting a values set comprising long-term thinking, taking ownership, interdependence and collaboration, constant learning, and resilience.

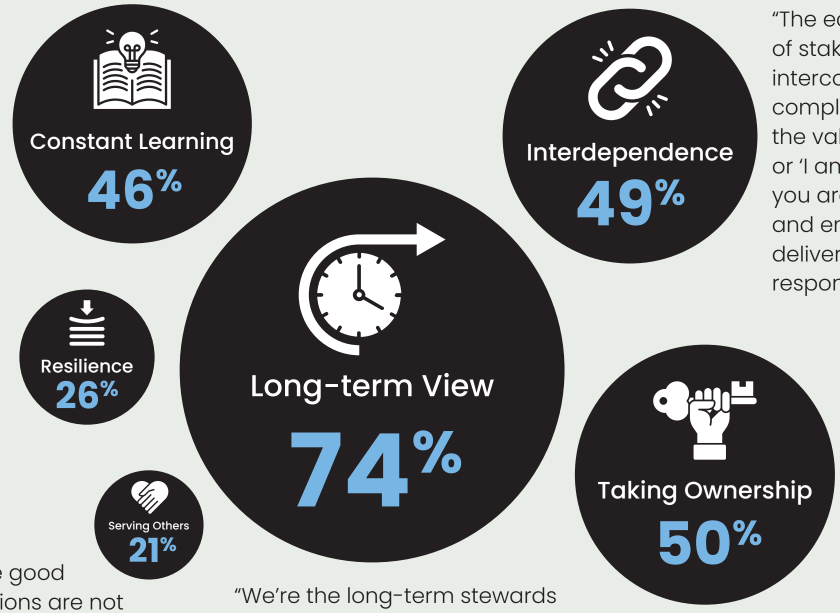
As explained in Chapter I, long-term thinking is essential for boards to navigate complex challenges and opportunities. It ensures that organisational strategies are aligned with sustainable outcomes that benefit not only current stakeholders but also future generations. Taking ownership involves assuming responsibility for the organisation's impact on society and the environment, recognising that boards play a central role in driving positive change. Interdependence and collaboration are crucial for addressing systemic issues that transcend organisational boundaries.

Interviewees emphasised that constant learning is essential for boards to stay abreast of emerging trends, best practices and innovative solutions.

Finally, as explained earlier, resilience is vital for boards to withstand external shocks and disruptions while maintaining focus on long-term sustainability goals. By building organisational resilience, boards can ensure that organisations can weather storms and emerge stronger and more adaptable in the face of adversity.

VALUES BOARDS MUST EMBRACE

Data represents % respondents who selected the option as one of the key values their board must embrace to authentically champion sustainability.



"A winning board has a growth mindset, the unsatiated hunger to learn continuously. This is critical as we are presented with challenges around AI, technology and sustainability."

"We value the patience and persistence to constantly toil to achieve your goals with single-minded passion."

"While good intentions are not enough as a board director, it helps to have a good heart eager to serve the community."

"We're the long-term stewards of the organisation and we must transition from short-term thinking to embracing a holistic, long-term perspective that recognises the interdependence of environmental, social and governance factors with the organisation's overall success."

"The ecosystem of stakeholders is interconnected in complex ways, so the value of 'ubuntu,' or 'I am because you are' is what I try and embrace as I deliver my board responsibilities."

"At the end of the day, it is our duty of care, our responsibility to ensure that business identifies climate risks, manages it, and seizes opportunities that are inevitably going to arise in this massive transition."

N=637

“SUSTAINABILITY SHOULD BE INTEGRATED INTO EVERY FACET OF DECISION-MAKING PROCESSES, MOVING AWAY FROM CONSIDERING IT AS A SEPARATE INITIATIVE TO EMBEDDING IT AT THE CORE OF THE COMPANY’S OPERATIONS. THE PERCEPTION OF SUSTAINABILITY AS A RISK MUST BE REPLACED WITH AN UNDERSTANDING OF ITS ROLE IN RISK MANAGEMENT, ACKNOWLEDGING THAT ENVIRONMENTAL AND SOCIAL RISKS CAN SIGNIFICANTLY IMPACT LONG-TERM VIABILITY, NECESSITATING PROACTIVE MEASURES FOR MITIGATION.”

- **Independent Board Director,** ***Professional Services Company.***

IV. FIVE ARCHETYPES OF APAC BOARDS

This chapter shares five types of boards we identified across APAC based on our research interviews. The orientation of these boards is driven by their intent and capability to drive the sustainability agenda.

These archetypes may not be in a continuum or indicate maturity levels. These are mainly based on priorities at the organisation and board level and the contexts within which an organisation operates.

FIVE ARCHETYPES OF BOARDS IN APAC

Combination of Intent, Ability and Readiness

During our research interviews, we learnt that boards may have different orientations or archetypes based on their intent and their ability or skill when it comes to addressing sustainability. The following five archetypes reflect varying approaches and attitudes towards sustainability and its governance.

Passive Followers represent boards that exhibit a lack of proactive engagement with sustainability issues. They may be ignorant about sustainability or simply waiting for external triggers such as regulatory mandates or competitive pressures to initiate action. Passive Followers may lack awareness or urgency regarding sustainability and may not prioritise it on their agenda.

Box-checkers are boards primarily focused on compliance with regulatory requirements. They view sustainability through the lens of meeting minimum standards and avoiding legal or reputational risks.

Do-gooders are driven by a moral imperative to contribute positively to society through corporate actions. They prioritise corporate social responsibility and may engage in philanthropic activities or sustainability initiatives out of a sense of ethical obligation. While their intentions are noble, Do-gooders may lack a strategic approach to sustainability.

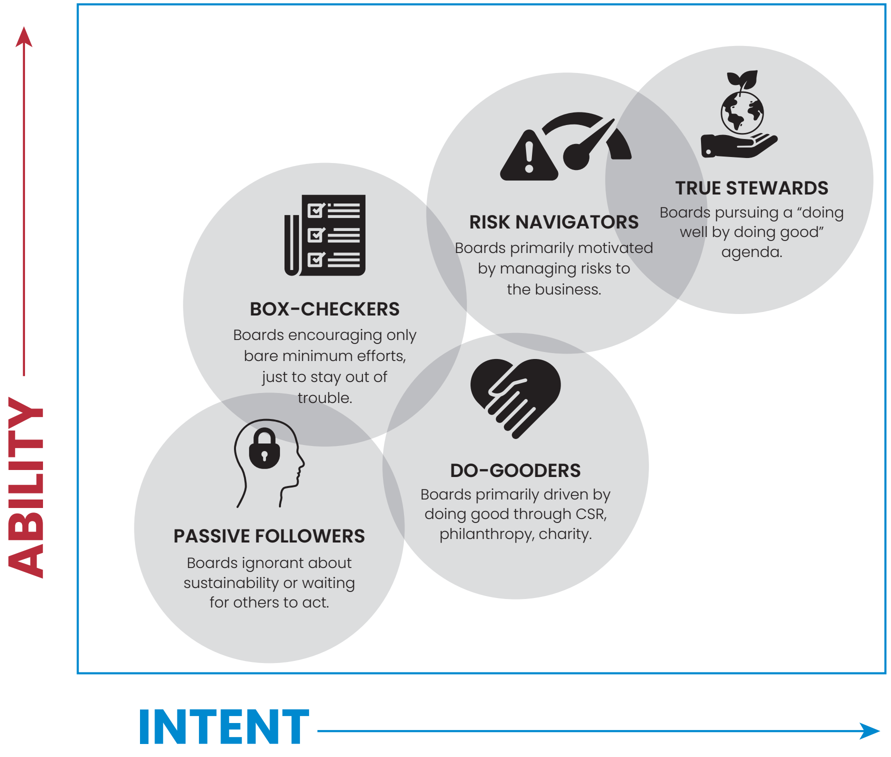
Risk Navigators recognise the potential risks posed by environmental and social challenges and prioritise sustainability as a means of mitigating these risks. They take a defensive approach to sustainability, focusing on managing and minimising potential threats to the organisation's future viability. Risk Navigators may prioritise resilience and continuity over innovation and growth.

True Stewards embody a holistic approach to sustainability, integrating ESG considerations into business strategy and decision-making. They view sustainability as a core part of their organisation's purpose and pursue a purpose-and-profits agenda. True Stewards prioritise long-term value creation and seek to align commercial success with responsible stewardship of resources and societal well-being.

It is important to note that these archetypes are not static states of evolution, and boards may transition between them based on internal priorities, organisational context or other external factors.

The subsequent pages in this section build upon each of these five archetypes, highlighting how they manifest and play out. They also expound on the associated risks boards may guard against.

ARCHETYPES OF APAC BOARDS



"To truly champion sustainability, board members must shift from viewing environmental and social responsibility as a compliance requirement to seeing it as a business imperative and a driver of innovation. We must embrace a long-term outlook, recognising that sustainable practices are critical to the enduring success of the company. This requires a willingness to invest in new technologies and processes, even if the payback period is long, and to value the non-financial benefits such as increased brand loyalty and employee engagement."

PASSIVE FOLLOWERS

Focus on Profits

Passive Follower boards—commonly found in organisations operating in developing jurisdictions, non-listed companies with minimal sustainability impacts, and SMEs—may adopt a dismissive attitude towards sustainability. With a mindset of "We don't need to worry about sustainability," these boards allocate little to no time for sustainability discussions and lack directors with sustainability expertise, typically comprising individuals with legal or finance backgrounds.

In such boardrooms, there is no designated accountability for sustainability, and management lacks incentives to drive the sustainability agenda. Consequently, there is little urgency to build sustainability skills or incorporate sustainable practices into organisational strategies.

This complacent approach may leave Passive Follower boards vulnerable to the accelerating pace of regulatory change and increasing stakeholder pressure. While these boards perceive sustainability as a mere nuisance and regulatory burden, they risk falling behind as regulations evolve and stakeholders demand greater corporate responsibility.

Without acknowledging the strategic importance of sustainability and taking proactive steps to integrate it into business practices, these boards may struggle to navigate the complexities of the modern business environment and secure long-term success. An interviewee board director comment, "Most boards feel that sustainability is just a regulatory requirement that we will have to comply with," highlights the prevalent mindset among Passive Follower boards.

PASSIVE FOLLOWERS	
	Boards ignorant about sustainability or waiting for peers, other stakeholders to act.
ORGANISATIONS	• Organisations in developing jurisdictions • Non-listed companies that are (currently) marginally impacted by sustainability risks • Small and Medium Enterprises (SMEs)
MINDSET	• "We don't need to worry about sustainability."
BOARD CONTEXT	• Little/no time devoted to sustainability discussions • Little/no sustainability skill on the board (mainly directors with legal or finance backgrounds) • No one accountable for sustainability at the board level • No incentive for management to drive the sustainability agenda • No urgency to build sustainability skills
DERAILERS	• Speed of regulatory change • Stakeholder pressure
DIRECTOR ACTIONS	• Influence management's mindset • Influence peer directors' mindsets • Force sustainability into the board agenda

HOW A "PASSIVE FOLLOWER" MINDSET MANIFESTS

"Unfortunately, in our country, unless and until we are forced to do something, we don't. Recently, the stock exchange had issued some sustainability reporting guidelines so there is some momentum on my board."

"If you look across the range of companies, industries and businesses that are operating in my country, many of them don't follow it [sustainability agenda]. Many of them are straight from the old school and feel they are there to make money for the shareholders by hook or by crook, and if we've done that, we've done our job."

PEER ADVICE

EDUCATE THE BOARD: "The moment ESG comes up, everybody questions: is this a cost or is this a benefit? So, my task becomes to show them that this is a huge benefit. It's not a cost. Don't think of the cost of deploying renewable power, think of the reduced operating costs in future. A lot of my peers oppose that; they say the purpose of our board is for finance and profits to rise. I say, they'll rise. If not this year, then next. We'll be on a sustained path of growth. Better people will want to come to work with us. Now, these arguments have to come out naturally."

INCENT PEOPLE TO ACT: "We decided to push up the temperature of air conditioning and save energy, and we promised the staff that whatever savings we get, we will give them a portion of that in terms of bonus. So, it is not just a rule to switch off the lights. But when we switch off the light, at the end of the year, I get another 100 bucks in bonus."

MAKE TIME FOR SUSTAINABILITY DISCUSSIONS: "We have made it mandatory that at least x amount of time has to be spent on sustainability. So, if you say that the board is mandated to spend at least one day every two quarters, one day every six months, on discussing sustainability agenda and updates, it will happen. People will be forced to think of all these issues, because they have to create an agenda for that one day. And then the influencers will come into play to create that agenda and have those discussions. And once those discussions start happening, then it gets a life of its own."

BOX-CHECKERS

Compliance, Compliance, and Compliance

Box-checker boards, often found in jurisdictions with weak regulation, large listed companies, and heavily regulated industries, approach sustainability with a mindset of "Let us do the bare minimum to not get in trouble with the regulator." These boards focus primarily on sustainability reporting and compliance, often viewing sustainability as a cost rather than an opportunity for value creation.

Conversations within Box-checker boards predominantly revolve around meeting regulatory requirements, with little to no emphasis on integrating sustainability into business strategy. Directors on these boards typically lack sustainability expertise, with backgrounds primarily in legal or finance fields.

Sustainability initiatives may be delegated to existing board committees or assigned to the Chief Sustainability Officer, with minimal involvement from top leadership in driving sustainability efforts.

The risk for Box-checker boards lies in facing allegations of greenwashing and succumbing to stakeholder pressure, particularly from employees who increasingly prioritise corporate social responsibility and environmental sustainability in their decision-making.

The following comment by a board director underscores the limited perspective on sustainability held by Box-checker boards, highlighting their reactive approach to regulatory compliance rather than proactive engagement in sustainable business practices: "Companies who are driven by compliance are basically doing it as a box-ticking exercise. They consider sustainability a cost and do it because the regulator wants them to. They believe there is no benefit from it, doesn't improve the bottom line, and seldom provides any benefit."

BOX-CHECKERS	Boards encouraging only compliance with necessary regulations.
ORGANISATIONS	• Organisations in jurisdictions with weak regulation • Large listed companies • Companies in heavily regulated industries
MINDSET	• "Let us do the bare minimum to not get in trouble with the regulator."
BOARD CONTEXT	• Conversations mainly centre around sustainability reporting and compliance • Little/no sustainability skill on the board (mainly directors with legal or finance backgrounds) • Sustainability may sit with one of the existing board committees or is owned by the CSO • Little/no integration of sustainability with business strategy
DERAILERS	• Greenwashing allegations • Stakeholder (mainly employee) pressure
DIRECTOR ACTIONS	• Be clear on the role while signing up as an independent director • Nudge peers to think "values and purpose"

HOW A "BOX-CHECKER" MINDSET MANIFESTS

"I am very honest with you, the main reason I was hired [director with sustainability background] for this position is because it's a requirement by the regulator."

"There are some directors who may be so enthusiastic [towards sustainability] but the others will tell you—hey champ, it costs money. The real impetus is what is required in the sustainability report, and how the proxy advisors will look at us."

"It's sort of like, oh, that's something [sustainability] we've got to be able to tick a box and demonstrate we're doing something about it. But we don't see it as an important part of the way we do business. We're not monitoring it. We're not holding people to account to deliver on it. It's almost like an annoying overhead. But we have to do it."

PEER ADVICE

CENTRE THE BOARD AROUND KEY VALUES: "At the beginning of every board meeting, each board member has to speak to a 'values moment,' any one of the corporate values and they could share whatever they liked: here's something that happened to me last week, it made me think about this value, you know, good story or bad story, and then we'd have a bit of a discussion about that value."

REMIND THE BOARD OF THE ORGANISATION PURPOSE: "Onboarding of directors should not only be done when you're new, but I think it should happen every one to two years, or whenever there's a review, to remind the board of our mission, vision, purpose, values and charter."

ACCEPT BOARD POSITIONS JUDICIOUSLY: "My personal reputation is on the line, so it makes sense for me to understand why the chairman wants to bring me in [on the board]. If I get a sense that I am only adding cosmetic value, I politely decline the offer."

DO-GOODERS

Pursue Altruism

Do-gooder boards, which may often exist in jurisdictions mandating CSR investments, founder-led or -influenced companies, and not-for-profits, prioritise societal upliftment and philanthropy. Their mindset revolves around the belief that a portion of earnings should be allocated towards social good. One board director expressed, "I think it's a mindset of accepting a moral responsibility that there is a need to do good for others, who are probably less fortunate. It comes from a deep personal sense of belief that we must do something good for the societies in which we operate."

Dialogues within these boards primarily focus on stretching profits for CSR activities, with little emphasis on integrating sustainability into core business strategy. Sustainability initiatives are usually delegated to the CSR committee on the board, with CSR efforts disconnected from broader business strategy.

However, such boards' motivation to invest in CSR may get hit during difficult business times, particularly during economic downturns. When faced with financial constraints, Do-gooder boards may struggle to justify continued investments in social initiatives, potentially compromising their commitment to societal upliftment.

DO-GOODERS	Board primarily driven by doing good through CSR, philanthropy, charity.
ORGANISATIONS	• Organisations in jurisdictions that mandate CSR investments • Founder-led or founder-influenced companies • Organisations in the business of socially less desirable (or perceived socially harmful) products • Not-for-profits
MINDSET	• "We must donate a part of our earnings for societal upliftment."
BOARD CONTEXT	• Conversations centre around stretching the profits for social good/CSR • Little/no sustainability skill on the board (mainly directors with legal or finance backgrounds) • Sustainability may sit with the CSR committee on the board • CSR and business strategy completely decoupled
DERAILERS	• Lack of motivation to invest in CSR, especially during economic downturns
DIRECTOR ACTIONS	• Integrate sustainability agenda with business strategy • Build capability on sustainability

HOW A "DO-GOODER" MINDSET MANIFESTS

"In our company the CSR initiative is sitting in the marketing department, since CSR goes from the marketing budget. The CSR person is double hatting as green officer, because he does all the charity work."

"This consciousness about giving back, purpose beyond profits, was really felt at the board level. People understand that how holding each other's hand is a must-do."

"We have voluntarily, with no government support, put in large sums of money in cleaning up the local river flowing through the city, which used to be a very active thriving river, but now is dirty and polluted. And so, if that doesn't count as an environmental badge of honour, I don't know what else does."

PEER ADVICE

ZOOM IN ON MATERIAL ISSUES: "Well, I think it needs to start from the discussions the board has around strategy. Any kind of initiatives around environmental impact or social impact need to be material to the business and an integral part of business strategy. Unless we do that, such initiatives will be good-to-have."

REFURBISH BOARD: "The two main avenues for my board to gain relevant expertise [in sustainability] are internal upskilling and, most importantly, through the incorporation of new sustainability profiles [board refreshment] into their ranks."

CURATE EXPERIENTIAL PROGRAMMES: "We have crafted an immersive programme wherein we bring them [board directors] somewhere, not just for a one-hour thing, but of a longer duration, bring in the expert faculty, get discussions going, craft experiential activities, even encourage board directors to challenge each other so that collectively the level of learning improves."

RISK NAVIGATORS

Focus on Managing Risks

Risk Navigators, often in industries undergoing transition or heavily regulated sectors, prioritise embracing sustainability to mitigate risks associated with climate change and social inequality. Their mindset revolves around recognising the potential impact of sustainability factors on enterprise operations.

Conversations within these boards dedicate considerable time to discussing sustainability and its implications for the organisation (outside-in view). Directors possess sustainability skills and expertise, with discussions focusing on aligning sustainability initiatives with business strategy, but with a risk mitigation lens. Sustainability may be overseen by the risk management committee or a dedicated committee, emphasising its importance in risk mitigation and strategic decision-making.

However, Risk Navigator boards face potential derailment if they fail to adapt to the rapid pace of change and innovation in their industries. Additionally, a short-term view of organisational success may hinder their ability to fully integrate sustainability into long-term business strategy.

Despite these challenges, Risk Navigator boards play a crucial role in proactively addressing sustainability risks and opportunities. By prioritising sustainability as a key component of risk management and strategic planning, these boards strive to safeguard the organisation's resilience and long-term viability in a rapidly changing world.

RISK NAVIGATORS	Boards primarily motivated by managing risks to the business.
ORGANISATIONS	• Organisations in industries undergoing transition • Companies in heavily regulated industries
MINDSET	• "We must embrace sustainability to mitigate risks due to climate change and social inequality."
BOARD CONTEXT	• Considerable time devoted to sustainability conversations • Conversations centre around impact of sustainability on enterprise operations • Sustainability skills exist on the board • Sustainability may sit with the risk management committee or as a dedicated committee • Sustainability and business strategy alignment, but only to mitigate risk
DERAILERS	• Pace of change/innovation in the industry • Short-term view of organisational success
DIRECTOR ACTIONS	• Influence the mindset of the board towards innovation • Focus on creating shared values and purpose in the organisation

HOW A "RISK NAVIGATOR" MINDSET MANIFESTS

"A lot of attention and mind space is given to making sure we're reporting things correctly and that assurance and other requirements are met properly. But over time, we want that to evolve such that sustainability can be a core part of business."

"While boards are paying more attention to sustainability, it is not so much from a lens of 'this is an opportunity for us to run the organisation really well,' it is more from 'this is a threat that we need to make sure we're on top of because otherwise we might get taken and we may damage our reputation.' Board action is mainly about managing risk, rather than considering sustainability to create opportunities or strengthen business."

"People are more focused because of the pressure of analysts and short-term results, and that really takes an eyeball off what you can do in terms of the long-term sustainability."

"For the listed mining company, it [sustainability] really is a part and parcel of the regulatory reporting. It is a messy business, so you really have to constantly monitor the mess that you're making. So, sustainability and risk should really go hand in hand, it should lower your risk, not only a potential liability or damage, but obsolescence."

PEER ADVICE

REFORM BOARDS: "We had several board members who regarded sustainability as a distraction. We have, however, consciously driven away from that thinking—some have left, some been replaced, and some have been won over by the sheer weight of evidence around the positive business impact of pursuing a compelling sustainability agenda."

ENGAGE WITH EXECUTIVE TEAM: "I spend time with the senior leaders in the organisation, including the head of sustainability every few weeks, especially after the board meeting. The conversations usually have a twin purpose—one, energise the leaders to think positively and long-term about sustainability, and two, to help build a compelling sustainability strategy. There's always things that we need to look at, for instance, currently we are discussing implementation of shadow carbon pricing internally."

TRUE STEWARDS

Doing Well By Doing Good

True Steward boards, often found in long-lasting organisations, adopt a mindset that views sustainability as the primary means to future-proof the organisation. Within these boards, sustainability is not just a topic of discussion; it is deeply ingrained into the fabric of decision-making processes. One director shared, "Our approach is to frame sustainability as an opportunity for innovation and efficiency, rather than as a cost centre. We challenge management to find ways to align sustainable practices with financial performance."

Conversations among True Steward boards extend beyond assessing the impact of sustainability risks on enterprise operations to considering the organisation's broader influence on environmental and social challenges. Directors actively understand, advocate and champion the sustainability agenda, ensuring alignment with the overarching business strategy.

Executives and senior leaders within these organisations are incentivised to drive genuine sustainability efforts, further reinforcing the organisation's commitment to its stewardship role.

In line with their proactive approach, True Stewards must continuously work on building and improving a shared culture built on stewardship values and purpose, which we introduced in the opening segment of the report. Without a cohesive organisational ethos that prioritises sustainability as an opportunity for innovation and efficiency, rather than merely a cost centre, the board's efforts may encounter resistance or stagnation.

By framing sustainability as an avenue for innovation and operational efficiency, True Steward boards challenge management to identify opportunities to integrate sustainable practices with financial performance. This approach fosters a culture of continuous improvement and reinforces the organisation's commitment to long-term sustainability and responsible stewardship.

	TRUE STEWARDS Boards pursuing a "doing well by doing good" agenda.
ORGANISATIONS	• (Typically) Long-lasting organisations
MINDSET	• "Sustainability is the only way to future-proof the organisation."
BOARD CONTEXT	• Sustainability is a full-board issue; most decisions are viewed through the sustainability lens • Conversations centre around not only the impact of sustainability risks on enterprise operations but also the impact of the organisation on environmental and social challenges • Directors understand, espouse and advocate sustainability agenda • Sustainability and business strategy alignment. View sustainability as an opportunity rather than just as a risk or a threat • Executives/senior leaders are incented to drive genuine sustainability intent
DERAILERS	• Possible erosion of a shared culture comprising stewardship values and purpose
DIRECTOR ACTIONS	• Create/strengthen a corporate culture based on stewardship values and purpose

HOW A "TRUE STEWARD" MINDSET MANIFESTS

"Yes, we are driven by profit. But the mindset is not profit at any cost. And I wouldn't want to sit on a board where there is profit at any cost. Even if you're firing people, you need to do it in a way that is respectful, and people are treated properly."

"While we previously mainly focused on profitability and safety, now, it's profitability, safety and sustainable growth. And then constantly ask questions about purpose, innovation, social impact, and how we can reduce our carbon footprint."

"Our board is very clear about values, the values of the organisation, and how those values translate into behaviours. We have regular conversations about what we stand for and how our behaviours measure up."

PEER ADVICE

CASCADE ACCOUNTABILITY: "Our global CEO and chair brought all the 120-odd country chairpersons to a rugby stadium to unveil the global sustainability plan over a two-day period. The CEO shared a one-pager for each function—marketing, operations, finance, HR—what is their role in driving sustainability. He curated a manual and recordings of the entire proceedings and asked us to go back to our countries and download the thinking to our country boards. So, the country chairpersons did a briefing session to the entire pool of board members. The board members then shared it with their leadership teams. In several countries, the entire session and manuals were translated into local languages. The country chairperson was supposed to report back to the global leadership team when the sustainability plan was rolled out to the lowest level employee in each country's operations."

WALK THE TALK: "I and our board Sustainability Committee, we routinely visit the sites under development. The management will take us and show us the most impressive parts of the project: the swimming pool, the community area, the club house. But we insist we want to see the workers' quarters—where do they live, how are they treated, who cleans the quarters and all that. As a board, we discuss worker living conditions a lot, and we make sure we are acting on what we discuss in the board room."

DRIVE VALUES-BASED DECISIONS: "We have a section on the board paper template where we test board decisions or updates against purpose and values alignment. Sometimes, we unexpectedly trigger a discussion where we might have made a different decision if we hadn't had that little flag there to talk about purpose and value implications."

BOARDS AS STEWARDS OF SUSTAINABILITY

Examples

APPOINTING EMPLOYEES AS INDEPENDENT DIRECTORS

Capita, a consulting, transformation and digital services business headquartered in the UK with over 60,000 employees is one of the few listed companies globally to appoint their employees to its board. It appoints two directors, each to serve a three-year term. However, the board does not define these directors as “employee representatives”; they are not elected by the workforce, nor are they recruited with the purpose of representing other employees, but to be full participants in the board process.

Almost anyone can put their names forward—the only major stipulation is that candidates must have worked at Capita for at least two years. The company typically gets hundreds of applications as far afield as South Africa, India and the USA. There is an online aptitude test, followed by an initial round of interviews, with 16 candidates going on to meet the CEO. The final eight are then interviewed by the board, and names are announced during the AGM.

Rather than represent the collective view of employees, the directors are inducted to provide diversity of thinking on the board. There is no expectation of them to raise specific employee matters unless they think it is relevant to the discussion that the board is having.

Anderson, G. (2021, July). Stakeholder Voices in the Boardroom. SpencerStuart. Retrieved January 10, 2024, from https://www.spencerstuart.com/research-and-insight/stakeholder-voices-in-the-boardroom

Serle, W. (2019, March 26). Growing stronger by putting employees on the board. Capita. Retrieved January 9, 2024, from https://capita-usoffice.com/our-thinking/growing-stronger-putting-employees-board.html

A COMMITTEE TO IMPROVE RELATIONS WITH EMPLOYEES

Starbucks Coffee Company, with more than 38,000 stores worldwide, has been a premier roaster and retailer of specialty coffee since 1971. Its board of directors decided in 2023 to establish the Environmental, Partner and Community Impact (EPCI) Board Committee. The new committee will assist the Starbucks board in fulfilling its oversight responsibilities. It's also required to respond to shifting regulations and standards and drive accountability across Starbucks' promises with regards to its employees and impact on the environment and community.
Aside from regulatory compliance, the committee also seeks to improve the company’s relationships with its employees, whom the company calls its “partners.” The committee will also have oversight of internal and external reporting tools and assessments, including the annual Global Environment and Social Impact Report (GESI) and initiatives to strengthen partner engagement and revitalise partner culture.

The EPCI Committee is put in place to uphold the journey to work with partners (employees) to re-found Starbucks with an evolved mission and a set of six promises to the company’s most important stakeholders: "At our best, for our partners, to offer a bridge to a better future; for our customers, to uplift the everyday; for our farmers, to ensure the future of coffee for all; for our communities, to contribute positively; for our environment, to give more than we take; and for our shareholders, to generate enduring returns."

Mirza, Z. (2023, November 22). Starbucks introduces oversight committee to improve governance. ESG Dive. Retrieved January 9, 2024, from https://www.esgdive.com/news/starbucks-environmental-community-oversight-committee-governance/700612/

BACKING AMBITIOUS CULTURE CHANGE

Upon the start of his tenure as Unilever's CEO in 2009, Paul Polman immediately announced the elimination of earnings guidance. From 2011 onwards, Unilever stopped publishing full financial results every quarter. Instead, the company issued trading statements for the first and third quarters and full financial results for the second and fourth quarters. With the support of his board, Polman set out clear medium-term goals, together with the ambitious Unilever Sustainable Living Plan, which aimed to double the company's growth, halve its environmental impact, and triple its social impact.

As a result, discussions with investors started to become more long-term in nature. This reduced the workload for internal staff and, more importantly, it gave a strong signal to the market. A shift from a short-term to a longer-term focus better reflected the way Unilever managed its business.

When Paul Polman started this transformation, the organisation faced pressure from Wall Street, partners and even employees. The stock also took a beating. Almost 75% of his top team either did not have a long-term view or did not believe in the new strategy. As things started going downhill, they jumped ship.

To their credit, Unilever’s board, on the other hand, took a long-term view and kept the strategy on track despite the early snags.

Unilever. (n.d.). The Unilever Compass for Sustainable Growth. Retrieved January 10, 2024, from https://www.unilever.com/files/8f9a3825-2101-411f-9a31-7e6f176393a4/the-unilever-compass.pdf

Unilever (n.d.). Our strategy. Retrieved January 9, 2024, from https://www.unilever.com/our-company/strategy/

Dutch Sustainable Growth Coalition. (2013). Leadership and Corporate Governance for Sustainable Growth Business Models. Retrieved January 10, 2024, from: https://www.dsgc.nl/publications/dsgc---leadership-and-corporate-governance.pdf

> "THE QUESTION WE NEED TO CONSIDER IN DOING BUSINESS: ARE WE DOING THE RIGHT THING OR ARE WE DOING THE THINGS RIGHT?"
>
> **- Independent Board Director, *Professional Services Company.***

V. CALL FOR ACTION

This chapter synthesises "what we knew" (Chapter I) and "what we learnt" (Chapters II, III, IV) during the journey of this research, and proposes a four-step process boards may embrace if they aspire to drive compelling action on solving environmental and social challenges.

We also share two reflective tools that may aid boards' journey to become True Stewards of sustainability.

FROM A TO B

Path to Becoming a True Steward Board

Based on what we knew when we started this research and what we learnt during the course of the study, we propose a four-step pathway towards becoming True Stewards.

One, the board must engage in introspection regarding their focus on driving the sustainability agenda. This involves candid discussions about their motivations and capabilities in championing sustainability initiatives.

Two, boards must conduct an honest assessment to identify gaps in their intent drivers, or "will," and ability factors to drive sustainability. This entails recognising areas where their commitment to sustainability may be lacking or where they may lack the necessary skills or resources to execute sustainability initiatives effectively.

Three, boards need to reflect on their position within the intent and ability framework and develop strategies to transition towards becoming True Stewards. This may involve setting specific goals and targets to enhance their commitment to sustainability, investing in training and development programmes to build the requisite skills among board members, and establishing mechanisms for accountability and oversight.

Finally, boards must enable and empower the management to create a shared culture grounded in the stewardship values and purpose. This entails fostering an environment of trust, collaboration and accountability where sustainability is embraced as a core principle guiding organisational decision-making. By instilling stewardship values of interdependence, long-term view, ownership mentality and creative resilience, boards can cultivate a culture that prioritises sustainability and drives positive impact both within and beyond the organisation. Through these actions, boards can fulfil their role as stewards of sustainability, steering their organisations towards a more sustainable and prosperous future. It is worth noting that while management teams own the overall responsibility of driving stewardship action, boards must govern in such a way that they make management accountable for values- and purpose-based leadership action.

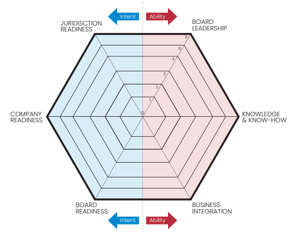
The rest of this chapter elaborates on the four steps. Based on the qualitative and quantitative data we gathered, we present two tools that may aid Step II and Step III of the proposed journey.

TRACKING TOWARDS A TRUE STEWARD BOARD

STEP I

PAGE 47

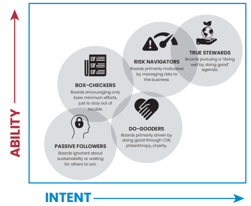
- Collectively reflect on the board's focus on sustainability.
- Do not hesitate to challenge conventional wisdom.



STEP II

PAGE 48

- Identify gaps in intent and/or ability.
- Discuss tactics to shift mindsets or develop capabilities in gap areas.



STEP III

PAGE 51

- Identify what archetype your board is.
- Discuss and implement actions the board must take to track towards being a True Steward.

STEP IV

PAGE 54

- Be mindful of stewardship values and purpose.
- Discuss ways the board can help create a culture based on shared values and purpose.
- Ensure all board decisions align with such values and purpose.

> **"Our approach is to frame sustainability as an opportunity for innovation and efficiency, rather than as a cost centre. We challenge management to find ways to align sustainable practices with financial performance."**

STEP I

Challenge Conventional Wisdom

As a first step, boards must take a hard, dispassionate view of their sustainability efforts. They must do so individually and as a collective. During our research, a prevailing sentiment emerged: sustainability is often deemed a desirable goal, yet it frequently becomes sidelined in the face of economic challenges. We feel that such thinking can have serious consequences on long-term organisational success. Forward-thinking boards peer into the future, understanding that a commitment to sustainability equips the organisation for enduring success by fostering efficiency and a competitive edge.

Typically, board directors perceive sustainability through a prism of risk, dedicating an excessive amount of time and resources to fulfilling regulatory and compliance mandates related to sustainability. Yet, visionary boards transcend this narrow focus. They champion innovative thinking, empowering management to devise business strategies that not only address but also capitalise on pressing societal and environmental issues.

The push towards sustainability is commonly triggered by external forces—regulatory bodies, consumers, civil society and the talent market. Rarely are boards the principal drivers of an organisation's sustainability actions. Contrastingly, forward-looking boards proactively seize the reins of change and transformation. They assume full responsibility, establish the cultural ethos, and spearhead initiatives in sustainability and related domains.

Boards and management teams often interpret the sustainability agenda as a checklist of tasks, primarily revolving around ESG reporting, compliance measures, technological adoption and policy formulation. However, enlightened boards recognise sustainability as fundamentally a human issue, thus dedicating significant efforts to nurturing a corporate culture that prioritises the resolution of sustainability challenges.

FOUR REFLECTION AREAS REGARDING
BOARD COMMITMENT TOWARDS SUSTAINABILITY

CONVENTIONAL VIEW		OUR RECOMMENDATION TO BOARDS
Board directors view sustainability efforts as secondary to immediate financial and operational priorities, especially in challenging economic times.	→	Look beyond the immediate term and reframe sustainability as essential to long-term business resilience and success. Incorporate it into strategic priorities, recognising that sustainable practices can lead to efficiency, innovation and competitive advantage.
Sustainability initiatives are often viewed through the lens of risk management and compliance costs.	→	Identify and pursue sustainability as a strategic opportunity. Highlight success stories and research that demonstrate the potential for sustainability efforts to unlock new markets, enhance brand value and drive investor interest.
Sustainability is often pursued in response to external pressures such as regulatory requirements, customer demands or investor expectations.	→	Be one of the driving forces in encouraging your organisation to embrace sustainability. Promote an internal culture of sustainability by setting clear, ambitious goals and integrating them into the corporate strategy.
Boards perceive sustainability as a process-centric issue (matter of compliance, governance or technology) rather than a people-centric issue.	→	Emphasise the critical role of human capital in achieving sustainability goals. Align incentives and performance metrics with sustainability outcomes to encourage behaviours that support the organisation's long-term vision.

STEP II

Identify Gaps in Intent and Ability Holding the Board Back

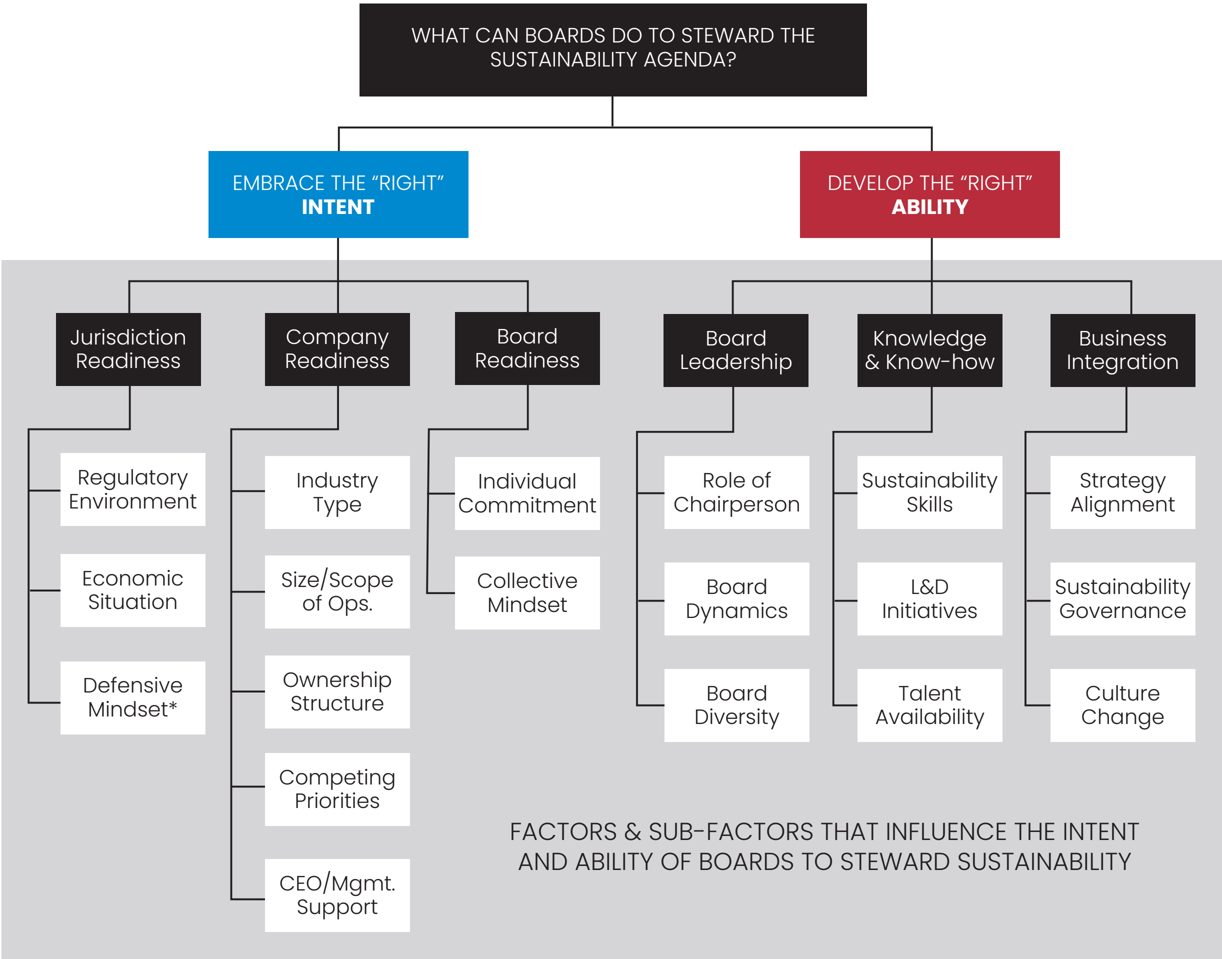
Once the board dedicates time to contemplate and understand their motivations and capabilities in championing sustainability initiatives (Step I), it may be worthwhile to delve into the intent and ability of the collective board.

In Chapter II, we introduced the notion that intent and ability are two crucial dimensions that influence a board's effectiveness in advancing the sustainability agenda. We also outlined the key elements that may shape the intent and define the ability of boards in APAC (highlighted in the graphic). As mentioned earlier, these elements were derived from our research conversations with board directors.

The next page has 36 statements, six for each pillar (jurisdiction readiness, company readiness, board readiness, board leadership, knowledge and know-how, and business integration). Think about your board and mark the statements you agree with. Note that this is your reflection of your peers and the collective board. The statements that you do not agree with could be areas that you, individually, and your board, collectively, may want to reflect on. These may indicate gap areas in intent and ability of your board.

Use the guidance in the grey box on the subsequent page to plot the self-reflection survey results on to the spider chart.

Note that the 36 statements (on the next page) are based on what we heard from the 77 board directors we interviewed. Also note that the survey is not a validated diagnostic. It is meant to aid reflection and to provide only high-level guidance.



*Mindset that developing countries should have the right to pursue their own developmental goals without undue interference from the developed world. Such thinking frames climate change as a consequence of historical injustice and argues that developing nations should not be unfairly burdened with addressing a problem they did not predominantly cause.

STEP II: WHAT'S STALLING YOUR SUSTAINABILITY STEWARDSHIP JOURNEY?

10-Minute Reflective Diagnostic

In each of the six categories below, select the statements you agree with. Add the number (statements you agree with) and note the total (out of 6) in each of the category's "TOTAL" boxes.

JURISDICTION READINESS	AGREE	COMPANY READINESS	AGREE	BOARD READINESS	AGREE
Our jurisdiction is sufficiently mature on sustainability and related regulations.	☐	Our business is not under immediate threat due to sustainability-related challenges.	☐	My peer board directors treat their corporate governance responsibility as a serious commitment.	☐
In our jurisdiction, it is generally accepted that boards are accountable to all stakeholders.	☐	We believe we must embrace sustainability, irrespective of size and scope of our business.	☐	My peer board directors dedicate enough time to fulfil key board responsibilities.	☐
The economy is reasonably stable for our board to focus attention on sustainability.	☐	Our ownership structure lends itself to keen interest in the "doing well by doing good" agenda.	☐	My peer board directors have enthusiasm towards learning new knowledge/skills.	☐
Our government is dedicating enough resources for organisations to get smart on sustainability.	☐	We believe that sustainability must be pursued despite competing priorities.	☐	Our board believes that purpose and profit can co-exist; it is not a zero-sum game.	☐
Underdeveloped/Least developed nations have equal responsibility towards the environment.	☐	Our sustainability efforts are quite insulated from the economic cycles of the organisation.	☐	Our board believes that embracing sustainability is the only way to future-proof the organisation.	☐
Nations at the greatest risk from climate change can adapt without international financial support.	☐	The CEO and management are very supportive of the "doing well by doing good" agenda.	☐	Our board finds it acceptable to forgo short-term gains to create long-term positive impact.	☐
TOTAL		**TOTAL**		**TOTAL**	

BOARD LEADERSHIP	AGREE	KNOWLEDGE & KNOW-HOW	AGREE	BUSINESS INTEGRATION	AGREE
Our chairperson is passionate about driving the sustainability agenda.	☐	Our board has sufficient awareness about sustainability.	☐	There is complete alignment between business strategy and the sustainability agenda.	☐
Our chairperson is able to drive alignment between the board and management.	☐	We have experts on the board who understand environmental and social sustainability.	☐	No strategy conversation is complete without detailed evaluation of sustainability implications.	☐
Board members feel psychologically safe to question and debate opinions and issues.	☐	All directors have a reasonable understanding of sustainability implications on our organisation.	☐	Our full board jointly owns sustainability; it is a part of most dialogues at the board level.	☐
There is deep respect for fellow board members and firm belief in their reliability and capability.	☐	We encourage board directors to get certifications/formal training on sustainability.	☐	There are incentives for the management to embrace and execute the sustainability agenda.	☐
Our board has sufficient diversity of age, gender, skills and experience.	☐	We regularly bring in experts and practitioners to upskill the board on sustainability issues.	☐	Our board regularly evaluates corporate culture to ensure adequate focus on sustainability.	☐
There is an appropriate mix of independent and executive directors on our board.	☐	Sustainability skill is a must-have in most new director hirings.	☐	Our board takes action to drive a culture of shared values and purpose in the organisation.	☐
TOTAL		**TOTAL**		**TOTAL**	

STEP II: WHAT'S STALLING YOUR SUSTAINABILITY STEWARDSHIP JOURNEY? (contd.)

GUIDANCE TO PLOT AND READ REFLECTIVE DIAGNOSTIC RESULTS

Step 1: Respond to the statements in each of the six categories—jurisdiction readiness, company readiness, board readiness, board leadership, knowledge and know-how, and business integration. Mark statements you agree with.

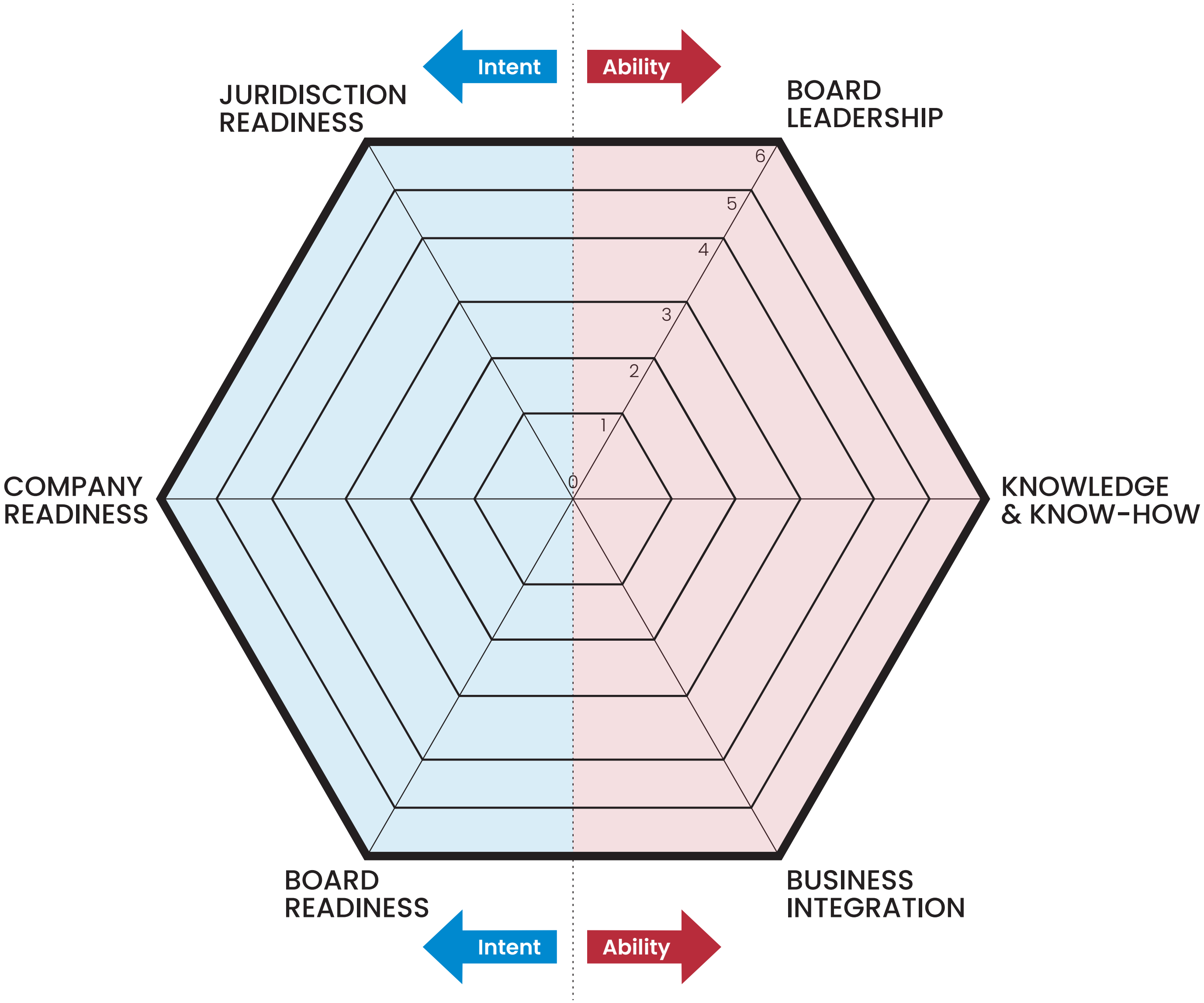
Step 2: Add the number of statements you agree with in each category and record the score (out of a maximum of 6) in the "Total" box in each category.

Step 3: Plot the total score for each category on the six axes in the adjoining spider chart. Join all the points.

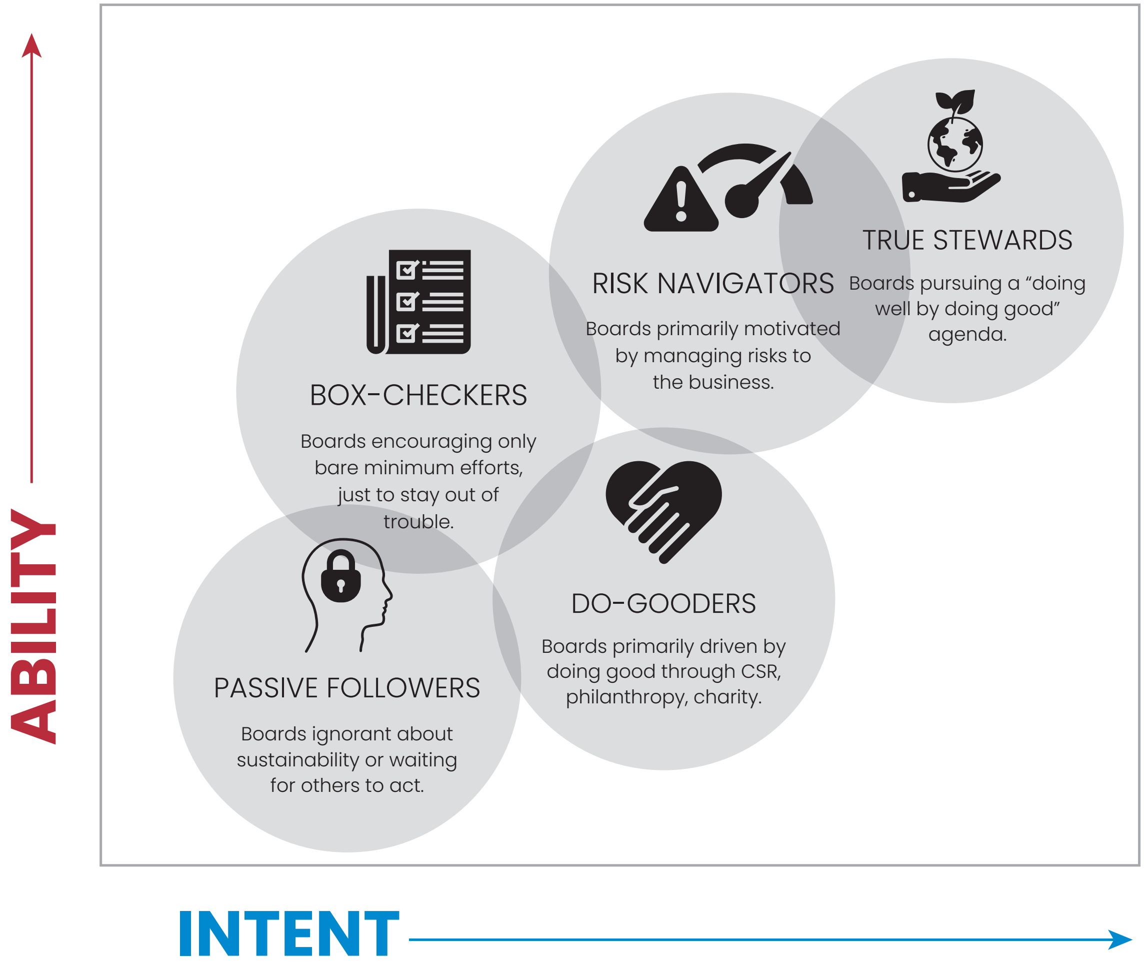
Step 4: Compare the figure obtained with the thick black outline (hexagon marked "6").

Step 5: Gaps (in each of the six categories) indicate potential reasons stalling board action to steward the sustainability agenda.

The board may want to dedicate time to discuss the identified gap areas and collectively explore ways to improve.



ARCHETYPES OF APAC BOARDS



STEP III

Craft a Pathway to Becoming a True Steward

Once the board identifies and reflects on the key gaps in intent and ability that may be stalling its efforts to drive sustainability initiatives (in Step II), it may be a useful exercise to understand the board's archetype and reflect on it. You may recall that we introduced 5 different archetypes of boards in Chapter IV. As shared earlier, these are not maturity states, but rather broad orientations that boards may display.

The next page has a set of 10 statements. Think about your board and respond to the five statements each in columns A and B (select one option for each statement). Note that this is your reflection of your collective board, not your opinion about any individual board member.

Use guidance in the box on the subsequent page to score the self-reflection survey and plot results on the adjoining chart.

Note that the 10 statements (on the next page) are based on what we heard from 77 board directors we interviewed. Also note that the survey is not a validated diagnostic. It is meant to be a reflection tool and to provide only high-level guidance.

Understanding existing orientation may help the board think about a potential pathway towards becoming a True Steward if the board directors collectively so desire.

STEP III: WHAT ARCHETYPE IS YOUR BOARD?

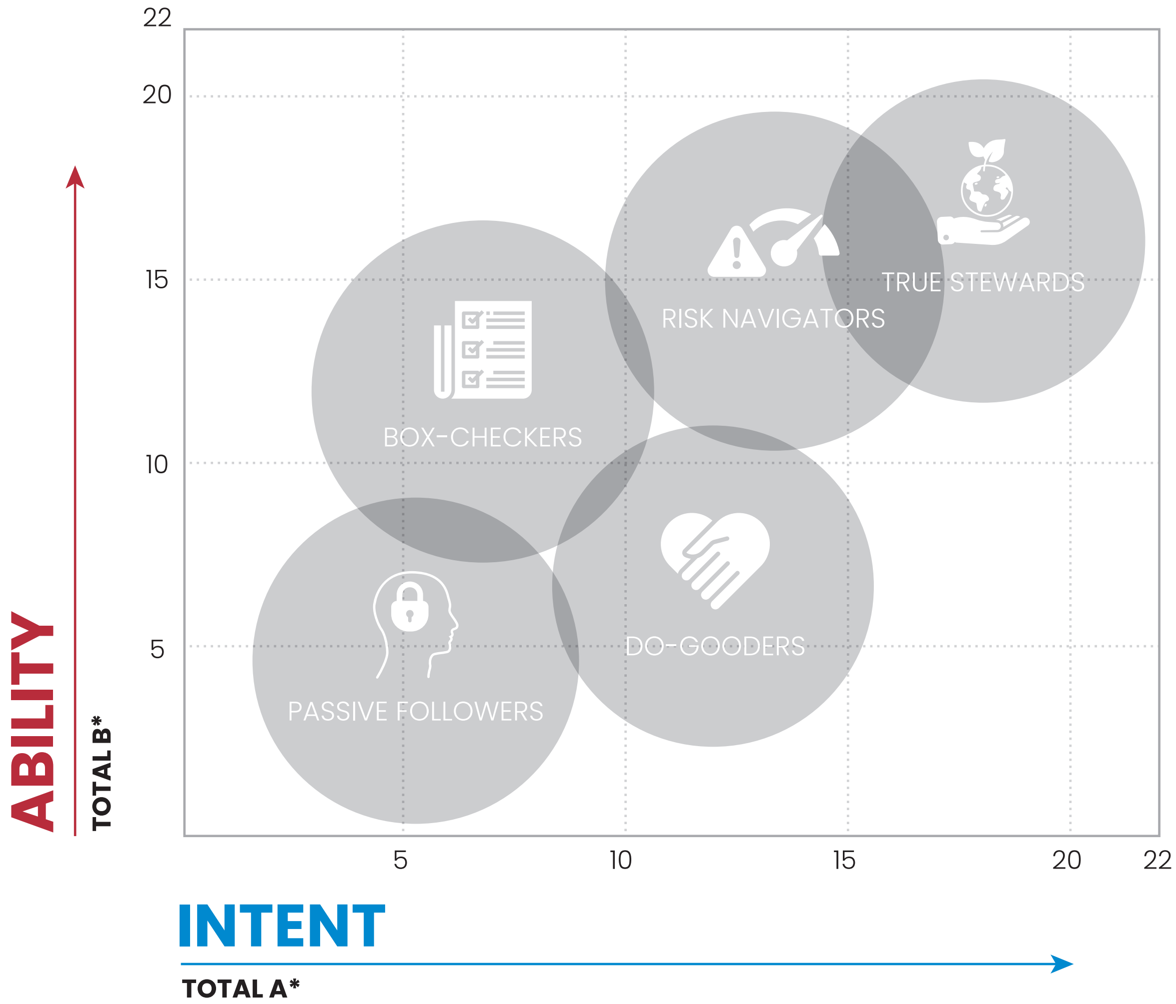
5-Minute Reflective Exercise

Respond to the five statements in each of the two categories (A and B) below by selecting the most relevant option. Add the individual option scores (score being the option number between 1 and 5 for each statement) and note the total for A and B in the designated space at the bottom of the page ("TOTAL A" and "TOTAL B"). The total score will be between 5 and 22.

I. MY BOARD'S VIEW ON SUSTAINABILITY...	A
1. "It is overhyped; we need not worry about sustainability."	☐
2. "Let us do what we need to in order to comply with the necessary regulations."	☐
3. "We must donate a part of our earnings for societal upliftment and environmental betterment."	☐
4. "We must embrace sustainability to mitigate risks to the organisation due to climate change and social inequality."	☐
5. "Embracing a sustainability agenda is the only way to future-proof the organisation."	☐
II. MY BOARD'S PRIMARY RESPONSIBILITY...	
1. Help maximise profits at all costs	☐
2. Ensure compliance and reporting integrity	☐
3. Guide the organisation to act in the interest of society	☐
4. Help mitigate any external risk to the organisation	☐
5. Create a better future for all stakeholders	☐
III. MY BOARD'S VIEW ON THE WELL-BEING OF ALL STAKEHOLDERS...	
1. Good to have, but not critical	☐
2. The key responsibility of any organisation	☐
3. Good to have as it decreases risk to business	☐
4. Integral to the organisation's success	☐
IV. MY BOARD'S VIEW ON FINANCIAL PERFORMANCE...	
1. It is the key responsibility of our board	☐
2. It is important so that we generate enough to "do good"	☐
3. It should be insulated from any external or internal risks	☐
4. It is critical, but only in the long term; it is acceptable to forgo short-term profits to drive long-term impact	☐
V. MY BOARD'S VIEW ON INNOVATION...	
1. Should be targeted solely at generating incremental revenue	☐
2. Must help solve societal challenges	☐
3. Should be incremental to reduce downside risk	☐
4. Even if high-risk, it is a must to solve disruptive existential challenges	☐
TOTAL A	

I. MY BOARD'S LEVEL OF KNOWLEDGE ON SUSTAINABILITY...	B
1. Little/None; our board is quite ignorant on sustainability issues	☐
2. Rudimentary; our board has basic awareness about sustainability	☐
3. Average; apart from basic awareness, we have a director who has relevant experience	☐
4. Deep; we have experts on the board who understand climate and social implications of sustainability	☐
5. Very deep; in addition to having experts on the board, other directors also have high awareness and understanding of sustainability issues	☐
II. WHO OWNS SUSTAINABILITY ON MY BOARD...	
1. No one at the board level	☐
2. One of the existing committees—individually or jointly	☐
3. Dedicated sustainability committee	☐
4. Full board collectively (sustainability considerations are built in all discussions)	☐
III. ALIGNMENT OF SUSTAINABILITY AGENDA AND BUSINESS STRATEGY ON MY BOARD...	
1. Sustainability is never discussed	☐
2. Sustainability only rarely comes up in strategy discussions	☐
3. We are starting the journey, building awareness/understanding of materiality issues	☐
4. Selectively aligned with some business strategies	☐
5. Complete alignment; no strategy conversation is complete without detailed evaluation of sustainability implications	☐
IV. SUSTAINABILITY SKILL AS A CRITERION IN NEW DIRECTOR HIRING...	
1. Almost never a new-director-hiring criteria	☐
2. Rarely a consideration used by the nominations committee	☐
3. A good-to-have but not a deal breaker	☐
4. A must-have in most new director hirings	☐
V. LEVEL OF DIVERSITY ON MY BOARD...	
1. Very similar board profiles	☐
2. Sufficient gender diversity on the board	☐
3. Sufficient gender, functional skills diversity	☐
4. Sufficient gender, functional skills, experience, generational diversity	☐
TOTAL B	

ARCHETYPES OF APAC BOARDS



*The total score calculated on the previous page

STEP III: WHAT ARCHETYPE IS YOUR BOARD? (contd.)

GUIDANCE TO PLOT AND READ REFLECTIVE EXERCISE RESULTS

Step 1: Once you have responded to the five statements each in columns A and B on the previous page, add the individual option scores (1 to 5, based on your selection) and note the total (sum of the options selected in statements I to V) for A and B in the designated space at the bottom of the facing page. The total score each for A and B will be between 5 and 22.

Step 2: Plot TOTAL A as calculated on the previous page on the x-axis and TOTAL B on the y-axis on the graph on this page (as indicated).

Step 3: Mark an "X" at the point identified after plotting Totals A and B.

Step 4: The archetype of the board closest to the marked "X" represents your board type. Note that there may be more than one archetype that defines your board.

The board of directors may want to dedicate time to discuss the pathway to becoming a True Steward board.

STEP IV

Embrace Stewardship Values and Purpose

Once the board has moved the dial on solving intent and ability issues (Step II) and curated a pathway towards becoming a True Steward (Step III), they must make a conscious choice to embrace stewardship values and purpose. At the core of True Steward boards lies a commitment to stewardship values. As explained in Chapter I, these include interdependence, long-term view, ownership mentality and creative resilience.

Interdependence serves as a foundational principle for True Stewards, who recognise the interconnectedness of the world. They understand that individual and organisational success are intertwined with the success of others, whether it be stakeholders, communities or the environment.

A long-term view characterises the mindset of True Steward boards, who prioritise creating sustained value not only for the present but also for future generations. They even forgo short-term gains for long-term impact and, consequently, long-term organisation growth. They understand the importance of considering the impact of their decisions on the long-term viability and resilience of the organisation, society and the environment.

An ownership mentality distinguishes True Stewards, who exhibit proactive responsibility in addressing existential challenges faced by the world. Rather than shying away from complex issues, they take ownership of their role in finding solutions and driving positive change.

Creative resilience is also a hallmark of True Steward boards, who demonstrate tenacity in navigating disruptive challenges with innovative solutions. By fostering a culture of resilience and innovation, True Stewards inspire their organisations to embrace change as an opportunity for growth and transformation.

In addition to these stewardship values, True Stewards are aware that purpose must drive profitable growth while addressing the most challenging existential crises facing humanity, such as climate change, social inequality and environmental degradation.

Once the board has clarity and an appreciation of the Steward Leadership Compass (comprising the stewardship values and purpose), we propose setting up a cadence of annual orientation. This not only serves as an introduction to new board members but is also a reminder for existing board members. While the responsibility to drive a culture of steward leadership sits mainly with the management team, the board must nudge them to embrace the compass in all their actions, and course correct in case the management team digresses from the stewardship path. As the adjoining graphic highlights, boards must also be mindful of such values and purpose, aligning all their strategic discussions and decisions with the compass.

Steward Leadership

is the genuine desire and persistence to create a collective better future for stakeholders, society, future generations and the environment.

Peshawaria, R. (2023). *Sustainable Sustainability: Why ESG is not Enough*. Penguin Random House SEA.

THREE-STEP TRUE STEWARD PLAYBOOK

	MANAGEMENT ACTIONS	BOARD ACTIONS
STEP 1	Integrate four stewardship values—interdependence, long-term view, ownership mentality, creative resilience—with existing organisational values.	• Be mindful of the four stewardship values in board-level considerations and dialogues. • Regularly remind new and tenured board directors of the four values.
STEP 2	Define the stewardship purpose—the *collective better future* the organisation wishes to create for a wide range of stakeholders and society at large.	• Be mindful of the stewardship purpose. • Use the purpose as a "North Star" to align overall long-term direction of the organisation.
STEP 3	Ensure management actions are aligned to and governed by the Steward Leadership Compass.	• Ensure that all decisions the board takes agree with the Steward Leadership Compass. • Partner with the executive team to develop and maintain internal systems, structures and culture to ensure that everything the organisation does is aligned to and guided by the Compass. • Hold the management team accountable for creating a culture of steward leadership throughout the organisation.

HOW SAC CAN HELP YOU

THE TRUE STEWARD PROGRAMME

Our world is facing existential challenges fuelled by issues like social inequality, climate change, geopolitics, cyber vulnerability and unprecedented technological advancements. Regulations, reporting and incentives minimise harm to the environment and society, but they do not maximise good.

The TRUE STEWARD programme enables boards to help organisations not only remain viable but also thrive in today's context.

SAC can help **INFORM** the board about implications of existential challenges.

EDUCATE

Run a workshop on *Sustainable Sustainability* and the power of personal and organisational steward leadership.

SAC can help **IDENTIFY** key mindset and skillset blind spots.

DISCOVER

Conduct board interviews, understand gap mindset and skillset areas, and the existing archetype of the board.

SAC can help the board **APPRECIATE** implications of key gap skill and will areas.

ADVISE

Share key findings with the board and facilitate a workshop on next steps to drive the sustainability agenda.

SAC can help the board **ACCELERATE** the True Steward journey.

DEVELOP

Partner with the board chair to craft and roll out a programme to equip the board to implement the Steward Leadership Compass.

STEWARDSHIP ASIA

Reach out to us to know more about the TRUE STEWARD programme:

STEWARDSHIP ASIA CENTRE

International Involvement Hub, 60A Orchard Rd, The Atrium@Orchard, Tower 1, #04-32, Singapore 238890
execedu@stewardshipasia.com.sg

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AUTHORS' BIOGRAPHIES

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Sunil leads a team of researchers driving thought leadership at the intersection of sustainability and leadership, designing and delivering senior leadership programmes, and developing practitioner toolkits and frameworks. Prior to joining SAC, Sunil was Senior Director, APAC Research, with the Center for Creative Leadership. He has written and edited book chapters, authored several research studies, and contributed thought pieces to *Harvard Business Review*, *The Straits Times*, *The Economic Times* and *The Business Times*. Sunil is an alumnus of Indian Institute of Technology (IIT), Delhi, and Indian Institute of Management (IIM), Ahmedabad.

Jane Ang

Assistant Manager—Research & Engagement, Stewardship Asia Centre

Jane is passionate about all matters related to sustainability and stewardship. In her capacity as a researcher at SAC, she has written case studies on steward leaders and sustainable businesses that marry profit and purpose. To develop SAC's first sustainability policy, she examined how sustainable practices can be implemented in SMEs and distilled insights from interviews with senior experts on sustainability. Jane graduated from the National University of Singapore with a Bachelor of Environmental Studies (Honours).

RESEARCH PARTNERS

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Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over 247,000 members and 526,000 future members in 181 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

Board Stewardship Inc. Mumbai, India, founded by Vikesh Wallia with credentials in board training and corporate governance, is a boutique research and advisory firm, serving individuals and boards in their journey from Shareholder Directors to Stakeholder Stewards through the values of board stewardship.

boardstewardship.com and *Board Stewardship*, a monthly e-magazine, fulfill the vacuum being felt for long for a communication platform for the board community in India and hence this first-of-its-kind initiative. Iconic Board Members, Independent Directors, and Compliance Chiefs/ Professionals contribute on topics of interest to the Boards and Corporate Governance community. They are also our guides and mentors. The content includes daily board opportunities, research and news on topics of interest to the board community and is free of compliance jargon.

Directors Australia is a leading national board advisory and non-executive director recruitment firm, delivering organisations the right people, insights and strategies to govern effectively.

They work with private, government, publicly listed and not-for-profit organisations across Australia to improve board and organisational performance through real, 'best fit' corporate governance solutions and exclusive recruitment for boards, board committees and advisory councils.

The insight provided by Directors Australia's team of specialists is based on their first-hand experience as board directors and extensive involvement with a wide range of boards across multiple industries and sectors.

The Institute of Corporate Directors (ICD) is a non-stock, not-for-profit organization dedicated to the professionalization of Philippine corporate directorship by raising the level of corporate governance policy and practice to world-class standards. It is the leading institution in the eld of corporate governance in the Philippines, composed of over 500 professional directors practicing ethical Governance, and is the officially designated Domestic Ranking Body for the ASEAN Corporate Governance Scorecard (ACGS). To learn more visit www.icd.ph.

The Institute of Corporate Directors Malaysia (ICDM) is a membership-based organisation whose mandate is to professionalise directorship in Malaysia. As the national institute of directors (IoD), ICDM is committed to providing continuous professional development – empowering boards and directors with forward-thinking mindsets, practical knowledge and essential competencies. Established by the Securities Commission Malaysia (SC) and supported by Bank Negara Malaysia, Bursa Malaysia and the Capital Market Development Fund (CMDF), ICDM's goal is to be the leading influence of excellence in governance and to build a robust corporate governance culture in Malaysia.

IICD Indonesian Institute for Corporate Directorship

The Indonesian Institute for Corporate Directorship (IICD) is an independent & non-profit organization founded by ten highly reputable Indonesian Universities and Business Schools. IICD seeks to socialize the best practice of worldwide governance for the common interest and become a trusted strategic partner in actualizing best practices of global standard governance by emphasizing sustainability. As of 2022, IICD has an alumni base of 10,000 strong consisting of Board of Commissioners, Board of Directors and other senior executives. Supported by World Bank, IFC, GCGF, CIPE and ADB dan OJK, IICD is engaged in Training, Research, Consulting and other related Corporate Governance activities, including Directorship Programs and Anti-Corruption in Indonesia. The structure of the Boards in IICD consist of prominent academicians & practitioners.

JACFO Japan Association for Chief Financial Officers

Establishing the global standard for corporate management in Japan by fostering CFOs.

Amid the increasingly fierce global-scale business competition and the ever-growing uncertainty of management environment surrounding Japanese companies, the trend toward globalization in business accounting and the movements in the capital market that require corporate transparency are demanding Japanese companies for strengthening of corporate governance. The pressing issue for Japanese companies is how the profitability and transparency to the capital market can be increased, and the restructuring of management models that respond to changes in the management environment and social structure, along with the strengthening of risk management functions in globally expanded corporate management.

To address such challenges, we need to foster CEOs who take the lead in creating management models that respond to the market and society and to establish the global standard of corporate management in Japan.

To accomplish this mission, JACFO has promoted surveys and researches by studying the latest financial and management concepts and techniques from domestic and overseas networks, and built education programs based on the results. We are conducting support activities for strengthening the functions of CFOs, while striving to foster CFOs with sophisticated techniques and sense of ethics in management and finance field.

Kerridge & Partners

Kerridge & Partners provides tailored solutions to Boards and C-suites in governance, executive search and leadership consulting. We serve clients across all sectors of the economy, including listed and privately held businesses, government organisations, start-ups and not-for-profits. As a 100% owned and operated New Zealand business, our vision is to transform the leadership landscape starting at the top echelons of leadership. Our team of governance experts has a reputation for delivering globally informed yet locally grounded solutions to Boards. We conduct Board evaluations, facilitate Board offsites, lead director development workshops for our clients and advise on Board appointments.

Kerridge & Partners has championed excellence and diversity in its all our board appointments. In the last 5 years over 48% of our governance appointees have been female.

We invest significant resources on thought leadership research, and by curating inspiring leadership events featuring speakers and faculty from the best local and global backgrounds, Kerridge & Partners seeks to enrich 'conversations that matter' to foster a community who cares deeply about Board and executive leadership.

PICG Pakistan Institute of Corporate Governance

The Pakistan Institute of Corporate Governance (PICG) is the country's premier institution set up in 2004 as a not-for-profit company committed to the cause of promoting good corporate governance practices in the country. We are actively engaged in providing capacity building and policy advocacy through our various director and executive development programs, advisory services, and research activities.
With the governance lens constantly evolving and expanding, PICG also works to promote a conducive environment for stakeholders and provides a platform to exchange opinions, knowledge, and information on corporate governance issues.

SID SINGAPORE INSTITUTE OF DIRECTORS

The Singapore Institute of Directors (SID) is Singapore's national association for company directors. Established in 1998, our mission is to transform boards and empower board directors to be champions of good governance. SID works with regulators and partners to serve as the voice for directors and facilitates consultations and feedback sessions on regulatory matters. In advocating for good governance, SID advances thought leadership and benchmarking research and indices on corporate governance and directorship issues.

SID builds competencies and capabilities to enhance boardroom skills of directors for informed decision-making. An accreditation programme serves to set standards for and showcase best practices of good governance. The organisation supports members on their directorship journey with courses, workshops, advanced masterclasses, forum discussions and pit-stops. SID connects and strengthens the ecosystem with initiatives such as mentoring and networking. The Governance for Good Alliance is an initiative by SID to bring together key stakeholders who help advance our vision for every board director to be a champion of good governance.

SMU Singapore Management University | Executive Development

Highly regarded for excellence in management practice, SMU is one of Asia's leading universities. SMU offers an unparalleled wealth of expertise in issues of business and management in Asia. The SMU city campus is a modern facility, enabling a technologically integrated learning experience in the heart of the Singapore's business district. Uniquely, SMU represents a fusion of Western and Asian theory and practice, with a strong foundation in the research of management and business practices. SMU's Office of Executive Development is dedicated to talent development, integrating the best of Asian and Western practices and theories. Our Programmes deliver outstanding returns on investment for individuals and organisations, leveraging meticulously-designed curricula which address business challenges in the unique Asian context.

SLID THE SRI LANKA INSTITUTE OF DIRECTORS

The Sri Lanka Institute of Directors, established in the year 2000, stands at the forefront of Corporate Governance in Sri Lanka bringing together over 900 prominent business leaders representing the private and public sectors. The Institute is focused on empowering today's Directors with insights and skills for exemplary corporate stewardship, while preparing a new generation of boardroom leaders for the challenges of tomorrow.

VIOD VIETNAM INSTITUTE OF DIRECTORS

The Vietnam Institute of Directors (VIOD) is a professional organization which promotes corporate governance standards and best practices in the Vietnamese corporate sector. VIOD aims to advance board professionalism, promote business ethics and transparency, create a pool of independent directors, build a network to connect corporate leaders and stakeholders, and help companies gain investor confidence.

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