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Banks are paying big bucks for climate-related and sustainability expertise

Article

The news: Top banks and investment firms are hiring climate scientists and sustainability experts for top dollar, per Business Insider.

What's happening? Banks and financial institutions are now looking to make good on their big commitments to combat climate change. Many are scouting non-traditional talent pools—like climate scientists and sustainability specialists—to bring in expertise.

- **BlackRock** hired a conservationist for its head of climate and sustainability research from a well-known conservation organization.
- **JPMorgan** recently snagged a sustainability executive from a climate-change nonprofit.
- **Vanguard** added a specialist with a PhD in atmospheric and environmental sciences to its investment stewardship team.

What's driving it?

1. Big promises

- **U.S. Bank**, in 2021, announced a 2025 goal for sourcing 100% renewable energy and a 2050 net-zero emissions date.
- **Standard Chartered** set a 2050 target of net-zero financing, including a shorter timeframe for its most carbon-intensive sectors.
- JPMorgan and BlackRock laid out a path to net-zero emissions by 2050.
- **Citi**, **Chase**, and **Wells Fargo** became members of the **Net Zero Banking Alliance** and agreed to align their investment and lending portfolios with net-zero emissions by 2050.

2. Shareholder pressures and generational demands

- In the UK, **Barclays**—the biggest fossil fuel financier in Europe—has been facing a months-long shareholder drive to ditch clients in the coal, gas, and oil industries.
- US banks are being similarly pressured: Chase, **Bank of America**, Wells Fargo, and Citi have all received investor commentary on sustainability issues at this year's annual meetings.
- Younger generations are largely skewing toward sustainable investments. According to a Kearney survey, **18- to 24-year-olds are almost twice as likely to switch banks based on environmental, social, and governance (ESG) credentials than those aged 55 and older.**

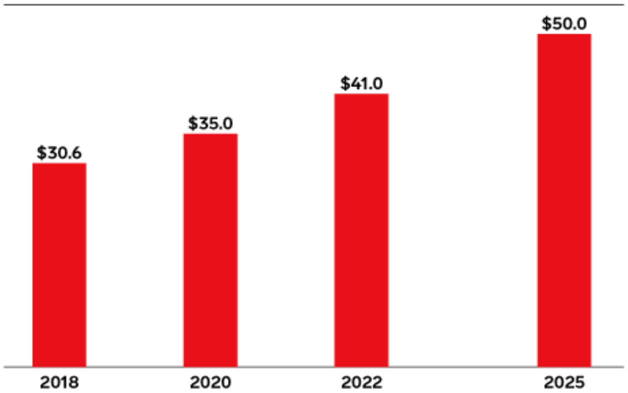
3. Stricter regulations

- In the US, the Office of the Comptroller of the Currency (OCC) is working on preparedness principles for US banks to manage climate-related financial risks. And the Federal Reserve is developing a new stress test for banks and credit unions that will include environmental factors.

- The UK government is establishing the **Green Technical Advisory Group**, which will devise a marketing framework for making claims about companies' sustainability credentials.
- In the EU, the European Parliament recently announced a new set of ESG rules for FIs mandating the accommodation of investors' ESG preferences and providing guidance for avoiding greenwashing.

Will it work? ESG investing is poised for extraordinary growth, with an expected **$9 trillion in new ESG AUM to arise between 2022 and 2025**, and total AUM to surpass $50 trillion, per 2022 research from Bloomberg Intelligence.

Environmental, Social, and Governance (ESG) Assets Under Management Worldwide, 2018-2025
trillions



Source: Bloomberg as cited in company blog, Jan 24, 2022
274667 InsiderIntelligence.com

- But the lack of standard ESG definitions and guidelines is creating inconsistency in the implementation of ESG investing.
- Adding climate and environmental specialists to banks' and FIs' staff can jumpstart the creation of coordinated guidelines to help reach the lofty goals.

These experts can influence business strategy at their firms, but they also should seize the opportunity to partner together and use their knowledge to create meaningful data collection practices and pathways to clean investing that all banks and FIs can implement.

Our take: Banks and FIs are not shying away from compensating these experts—some private equity firms are offering seven-figure salaries. Hopefully, financial services firms aren't just hiring for optics to appease shareholders and to project an image of expertise within an extremely gray area. These well-compensated specialists need a seat at the decision-making table and must be empowered to make changes. If not, the banks and FIs are making a very costly and ill-intentioned PR move.

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