



# KPMG ESG Risk Survey 2023

March 2023

## Introduction

The KPMG ESG Risk Survey 2023 is a global benchmarking questionnaire targeted at financial institutions of all sizes. It aims to create benchmarking insights regarding banks' progress and plans in their ESG risk management.

This year's survey covers a range of the currently most relevant topics, from data procurement to ESG KRIs & KPIs. It sets a special focus on greenwashing, an ESG risk that has rapidly gained in attention over the last months and years.

The survey will take around 20-30 minutes and is completely free of charge for your institution.

Thank you for your participation, we are looking forward to providing you with new insights on where your institution stands in comparison to its peers.

**Main Part**

# 0. Introductory questions

# 0. Introductory questions

0.X. What is your institution's total assets (in billions of USD)? (single choice)

- 10 - 30
- 30 - 200
- 200 – 1,000
- More than 1,000

0.X. What is your primary business model? (single choice)

- Sectorial Lender
- Retail Lender
- Corporate/Wholesale Lender
- Universal Bank
- Investment Bank
- Other, please specify \_\_\_\_\_

# 0. Introductory questions

0.X. How would you describe the size of your institution? (single choice)

- 1-1000 employees
- 1001-10,000 employees
- 10,001 – 50,000 employees
- 50,001 – 100,000 employees
- Greater than 100,000 employees

0.X. Approximately how many full-time employees do you have globally focused on ESG risks (2nd line of defense)? (single choice)

- 1–10
- 11–50
- 51–150
- 151–400
- 401–1,000
- More than 1,000
- We don't have any full-time employees focused on climate risk

0.X. Is an ESG risk function found in your institution? (single choice)

- In “Change the bank”
- In “Run the bank”
- ESG risk function is currently not established

0.X. Do you have an ESG risk governance budget?

- Yes
- No
- Unsure

Only shows up if “yes” is selected:

0.X.X. How will the overall budget for ESG topics change in 2023 as compared to 2022? (single choice)

- strong increase
- increase
- no change
- decrease
- strong decrease

0.X. What is the most important reason, excluding regulation, for your institution's focus on ESG risk? (single choice)

- Client Inquiry
- Portfolio Risk Management
- Reputation
- Accountability
- Trend management
- Environmental concern
- Social concern
- Other (please specify): \_\_\_\_\_
- Don't know/Not sure

# 0. Introductory questions

0.X. Select the top three challenges your institution will face within its ESG risk efforts in the next three years. (multiple choice)

- Insufficient number of personnel
- Insufficient budget
- Lack of in-house knowledge on ESG risk
- New regulatory requirements
- Insufficient Board oversight/involvement
- Lack of coordination with other functions
- Insufficient or inaccurate data
- We do not anticipate challenges with regard to our ESG risk efforts

0.X. Which of the following metrics are used to assess the effectiveness of your institution's ESG risk program? (multiple choice)

- Executive compensation
- Meeting your decarbonization commitments
- Internal employee survey on ESG risk awareness
- Internal audit/external audit results (if available)
- ESG risk Training enrollment rate
- Other (please specify): \_\_\_\_\_
- We do not assess the effectiveness of our ESG risk program

0.X. When were ESG risks first introduced as risks that needed to be addressed by your organization? (single choice)

- During the past year
- 1 to 2 years ago
- 2-5 years ago
- More than 5 years ago
- No current ESG risk considerations

# 1. Framework



# 1. Framework

1.X. What priority does each of the following risks have for your institution?

## Climate-related risks

very high    high    medium    low    very low



## Environmental risks (e.g., loss of biodiversity)

very high    high    medium    low    very low



## Social risks

very high    high    medium    low    very low



## Governance risks

very high    high    medium    low    very low



# 1. Framework

1.X. To what extent have you assessed the following ESG risk drivers for your portfolio?

o Environmental Risks

	not yet assessed	assessed and not relevant	assessed but not yet quantified	assessed and partially quantified	assessed and fully quantified
Policy and regulation change (e.g., CO2 price increase, energy efficiency regulations)					
Technology changes (e.g., technological progress, technological obsolescence)					
Changes in market sentiment (e.g., changing customer preferences)					
Impact and dependence on biodiversity (e.g., resources use, air pollution)					
Resource scarcity (e.g., water scarcity, fossil fuels scarcity)					
Extreme weather events (e.g., storms, floods, fires, heatwaves)					
Chronic weather patterns (e.g., rising sea levels, ocean acidification)					

o Social Risks

	not yet assessed	assessed and not relevant	assessed but not yet quantified	assessed and partially quantified	assessed and fully quantified
Employee relationships (e.g., discrimination and unequal treatment of employees, demographic developments)					
Customer relationships and products (e.g., controversial or harmful products)					
Human rights and moral responsibility (e.g., human rights violations)					
Society impact (e.g., political and social instability)					

o Governance Risks

	not yet assessed	assessed and not relevant	assessed but not yet quantified	assessed and partially quantified	assessed and fully quantified
Compliance violations (e.g., sanction violations, tax avoidance )					
Information policy and public relations (e.g., greenwashing, insufficient disclosure practices)					

# 1. Framework

One aspect of a bank's ESG risk management is to understand the effects of ESG risks on its business environment and to consider their material impact in determining and implementing its business strategy.

1.X. How high do you rate the current degree of fulfilment in your institution of understanding the impact of ESG risks on the business environment to make informed strategic and business decisions?

very high    high    medium    low    very low

Only shows up if "very high" is **not** selected:

1.X.1. When do you expect your institution to achieve a very high degree of fulfilment? (single choice)

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)

1.X. How high do you rate the current degree of fulfilment in your institution of integrating ESG risks into the business strategy?

very high    high    medium    low    very low

Only shows up if "very high" is **not** selected:

1.X.1. When do you expect your institution to achieve a very high degree of fulfilment? (single choice)

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)

1.X. What are currently the largest gaps for your institution to get a better understanding of ESG risks in its business strategy? (multiple choice)

- Data Acquisition & Management
- Funding/Budget
- Know-How (Subject matter expertise)
- Other, please specify: \_\_\_\_\_

1.X. Has your institution set any self-imposed net-zero targets? (single choice)

- Yes, quantitative targets and roadmap for alignment established
- Quantitative targets have been set
- Qualitative targets have been set
- Not yet
- Not planned

# 1. Framework

1.X. How are ESG issues and factors largely addressed in your strategy? (multiple choice)

- Through qualitative goals
- Through quantitative goals
- Currently there is no consideration
- Other, please specify: \_\_\_\_\_

Only shows up if “Through qualitative goals” was selected:

Please describe these qualitative goals (free text)

\_\_\_\_\_

Only shows up if “Through quantitative goals” was selected:

Please specify these quantitative goals (multiple choice)

- Exposure analysis
- Concentration analysis
- Sensitivity analysis
- Portfolio alignment assessments
- Corporate ratings from third parties
- Other, please specify: \_\_\_\_\_

ESG risks play a role in a bank’s business and risk strategy as well as in its risk appetite framework. A clear definition of management responsibility in all three lines of defence is important. Furthermore, the effective monitoring of ESG risks and a bank’s exposure to them as a part of the internal reporting is prudent.

1.X. How high do you rate the current degree of fulfilment in your institution of the sense of responsibility of the management body for the integration and effective oversight of ESG risks?

- very high    high    medium    low    very low

Only shows up if “very high” is **not** selected:

1.X.1. When do you expect your institution to achieve a very high degree of fulfilment? (single choice)

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)

1.X. How high do you rate the current degree of fulfilment in your institution of the assignment of responsibility for the management of ESG risks within the organizational structure in line with the 3LoD?

- very high    high    medium    low    very low

Only shows up if “very high” is **not** selected:

1.X.1. When do you expect your institution to achieve a very high degree of fulfilment? (single choice)

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)

# 1. Framework

It is prudent to consider ESG risks in all phases of the risk management process and for all major types of risk (credit, operational, market price, liquidity risk). Further, the evaluation of the appropriateness of their stress testing with the aim of incorporating ESG risks into their baseline and adverse scenarios is important.

1.X. How high do you rate the current level of achievement in your institution of the goal to include ESG risks as drivers of existing risk into existing risk management framework?

very high    high    medium    low    very low

Only shows up if “very high” is **not** selected:

1.X.1. When do you expect your institution to achieve a very high degree of fulfilment?  
(single choice)

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)
- Not yet considered

1.X. Are ESG risks considered in your institution’s pricing model? (single choice)

- Yes
- Not yet, it is planned to consider in the short term (within 2023)
- Not yet, it is planned to consider in the medium term (next 1-2 years)
- Not yet, it is planned to consider in the long term (> 2 years)
- Not planned

1.X. Are ESG risks reflected in your institution’s capital requirements? (single choice)

- Not yet reflected / assessed
- Assessed and not material
- Considered in the normative perspective
- Considered in the economic capital buffer
- Other, please specify \_\_\_\_\_

1.X. How high do you rate the current degree of fulfilment in your institution of incorporating ESG risks explicitly into the risk appetite framework?

very high    high    medium    low    very low

Only shows up if “very high” is **not** selected:

1.X.1. When do you expect your institution to achieve a very high degree of fulfilment?  
(single choice)

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)

1.X. Has your institution established any of the following KPIs or KRIs in the context of ESG risks? (multiple choice)

- Progress ESG projects
- ESG Rating
- Volume targets for “green” business
- Real estate collateral with high physical risk
- Exposure to natural events
- Exposure to focus sectors
- GAR-Eligibility Ratio
- Exposure share of the total portfolio
- CO2 footprint
- CO2 footprint (financed)
- Diversity Senior Management
- Other, please specify: \_\_\_\_\_

# 2. Stress Testing

## 2. Stress Testing

2.X. How high do you rate the current degree of integration of ESG risk drivers into your institution's internal stress testing framework?

very high    high    medium    low    very low

Only shows up if "very high" is **not** selected:

2.X.1. When do you expect your institution to achieve a very high degree of fulfilment?  
(single choice)

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)

2.X. Which kind of scenarios are your ESG stress tests based on? (multiple choice)

- Self-developed scenarios
- Regulatory scenarios
- NGFS scenarios
- Other, please specify: \_\_\_\_\_

# 3. Credit Risk



# 3. Credit Risk

3.X. How high do you rate the current degree of fulfilment in your institution of the consideration of ESG risks at all stages of the credit-granting process and in monitoring portfolios?

- very high    high    medium    low    very low

Only shows up if “very high” is **not** selected:

3.X.1. When do you expect your institution to achieve a very high degree of fulfilment? (single choice)

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)

3.X. What are the main challenges for your institution when taking ESG factors into account in credit risk management? (multiple choice)

- Uniform (internal risk) taxonomy
- Ability of customers to provide additional ESG-related information
- Analysis of Portfolio structure (ESG scoring)
- Other, please specify: \_\_\_\_\_

3.X. Across what stages of the credit risk management process does your institution include ESG risks?

	already established	not yet established	neither established, nor planned
In borrower and transaction due diligence as part of loan origination			
In sector lending policies, e.g. limits based on ESG risk appetite			
In the early warnings framework			
In risk classification			
In the determination of the expected credit loss in accounting and prudential models			
In loan pricing			
In collateral valuations			
In portfolio analysis and monitoring			
In the rating and scoring process			
In the credit models used for regulatory purposes, including, if applicable, internal ratings-based (IRB) modelling and/or the estimation of PD, LGD and CF risk parameters			

# 4. Market Risk

## 4. Market Risk

4.X. Market risk: How high do you rate the the current level in your institution of compliance of monitoring the effect of ESG factors and developing appropriate stress test scenarios?

very high    high    medium    low    very low

Only shows up if “very high” is **not** selected:

4.X.1. When do you expect your institution to achieve a very high degree of fulfilment?  
(single choice)

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)

# 5. Liquidity Risk

## 5. Liquidity Risk

5.X. How high do you rate the current degree of fulfilment in your institution of incorporating material effects of ESG risks on net cash outflows and liquidity buffers into liquidity risk management and buffer calibration?

very high    high    medium    low    very low

Only shows up if “very high” is **not** selected:

5.X.1. When do you expect your institution to achieve a very high degree of fulfilment?**(single choice)**

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)

# 6. Operational Risk

## 6. Operational Risk

6.X. Operational risk: How high do you rate the current degree of fulfilment in your institution of the consideration of the adverse impact of ESG-related events on business continuity and on reputational and/or liability risks?

very high    high    medium    low    very low

Only shows up if “very high” is **not** selected:

6.X.1. When do you expect your institution to achieve a very high degree of fulfilment?  
(single choice)

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)

# 7. Data & Reporting



## 7. Data & Reporting

7.X. Select the top three main challenges your organization faces around ESG data.  
(multiple choice)

- Vendor data management
- Data availability/coverage
- Data quality
- Data management/ maintenance
- Data ownership
- Data consistency
- Data standardization
- Other (please specify): \_\_\_\_\_
- We do not anticipate challenges with our ESG data efforts

7.X. What kind of data sources does your institution use to measure ESG risks? (multiple choice)

- Through internal client data at counterparty level
- Through internal client data at physical asset level
- Through external client data that is publicly available
- Through third party data providers: commercial
- Through third party data providers: provided by public bodies/research institutes
- Other, please specify: \_\_\_\_\_
- None

7.X. What is your firm's primary selection criteria when choosing an ESG data provider?

- Data availability/coverage
- Data quality
- Data accuracy
- Data consistency
- Data standardization
- Other (please specify): \_\_\_\_\_

7.X. How high do you rate the current degree of fulfilment in your institution of publishing meaningful information and key metrics on ESG risks?

very high    high    medium    low    very low

Only shows up if "very high" is **not** selected:

7.X.1. When do you expect your institution to achieve a very high degree of fulfilment?  
(single choice)

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)

1.X. How high do you rate the current degree of fulfilment in your institution of the reflection of exposures to ESG risks in the internal reporting to management?

very high    high    medium    low    very low

Only shows up if "very high" is **not** selected:

1.X.1. When do you expect your institution to achieve a very high degree of fulfilment?  
(single choice)

- In the short term (within 2023)
- In the medium term (next 1-2 years)
- In the long term (> 2 years)

# 8. Reputational Risk

## 8. Reputational Risk

8.X. Which of the following best describes your current efforts to integrate ESG into your reputational risk framework? (single choice)

- No current efforts to integrate ESG risks in our reputational framework, and no immediate future plans to do so
- No current efforts to integrate ESG risk in our reputational framework, but immediate future plans to do so
- Current ESG risks are in the process of being included into the reputational risk framework
- Reputational risk framework has ESG risk integrated and are in practice
- Other (please specify): \_\_\_\_\_

# Greenwashing

# Greenwashing

X.X. Based on which criteria does your institution define greenwashing? (multiple choice)

- Abstract definitions
- Example cases
- Thresholds
- Other, please specify: \_\_\_\_\_
- Currently not defined

Only shows up if "Currently not defined" is **not** selected:

X.X.X. Please specify/summarize these criteria: \_\_\_\_\_

X.X. Does your institution have processes in place to identify, prevent and manage risks associated with greenwashing? (single choice)

- Yes
- No

X.X. Which of the following would support your institution in detecting a potential case of greenwashing? (multiple choice)

- Specific methodologies on how to detect (potential) greenwashing
- Clearer regulation and supervisory definition that provides more information on how to identify (potential) greenwashing practices accurately
- Definition of (potential) greenwashing as a high-priority risk driver within your institution's risk management framework
- Higher awareness for greenwashing (risks) amongst staff
- Other, please specify: \_\_\_\_\_

X.X. How would you assess the impact of other institutes' scandals and media coverage with a greenwashing context on your greenwashing strategy over the last year?

- very high
- high
- medium
- low
- very low

X.X. Has your institution's strategy been reviewed or designed considering greenwashing risk? (single choice)

- Yes
- Not yet, it is planned to consider in the short term (within 2023)
- Not yet, it is planned to consider in the medium term (next 1-2 years)
- Not yet, it is planned to consider in the long term (> 2 years)
- Currently not planned

X.X. How are greenwashing risks considered within your institution's risk taxonomy? (single choice)

- As a stand-alone risk type
- As an ESG risk driver
- As a part of reputational risk
- As a part of operational risk
- Other, please specify: \_\_\_\_\_
- Currently not considered

# Greenwashing

X.X Have specific KPIs/KRIs been defined to assess and monitor the processes of mitigating risks associated with greenwashing within your institution?

- Yes
- Not yet, but it is planned
- Not planned

X.X Which of the following aspects have been established within your institution?

	already established	In development	not <b>yet</b> established, but planned	neither established, <b>nor planned</b>
A greenwashing risk management training for the organisation's employees				
Promotion of a culture of greenwashing awareness throughout the organization				
Identification of key owners of greenwashing and training in greenwashing risk management				
An incentive system in place for effective greenwashing risk management when assessing employee performance				