Ethics and compliance in the Nordics

Key insights from the 4th annual KPMG survey

—

September 2024

Foreword

This is the 4th edition of the KPMG Nordic Ethics and Compliance Survey, and we would especially like to thank those who have taken the time to participate. The purpose of this report is to provide insights into ethics and compliance risks, maturity, and trends in the Nordics. Comparisons to previous years' results and global findings from the 2024 KPMG Global CCO Survey are included. Forty companies from Norway, Sweden, Denmark, and Finland participated from March to May this year.

Most of the responding Nordic companies (87.5%) have an ethics and compliance function, however, growing regulatory expectations and scrutiny are creating new and complex challenges for Compliance to navigate. Survey results suggest many Nordic companies will need to step up to a new level, for example, by automating their compliance processes (for both preventative and detective activities), leveraging a risk-based third-party risk management approach, and implementing key performance indicators and the regular monitoring of their compliance program.

New opportunities and solutions are available. Compliance can lower costs and be more effective with third-party risk management by using sector-based cooperative initiatives, such as third-party audits. Also, implementing technology, if done thoughtfully and with adequate governance, can simplify compliance processes and improve traceability. The survey results, however, suggest Nordic companies are slow to automate, where more than half of the respondents have not started the automation of their compliance processes.

Nordic companies have a head start with evolving risk areas, in the widespread implementation of human rights due diligence (required by e.g., the Norwegian Transparency Act) and decarbonization efforts like those led by Danish wind companies). Compliance programs also have a key role in contributing to the Nordic emphasis on trust by ensuring a strong culture of compliance and ethics, where integrity is central to operations. To satisfy authority requirements, however, compliance programs must have governance not only based on trust, but also verifications. The Nordic attitude of “it will be fine, we trust our people” could hinder the implementation of a robust 3-line model, especially in terms of effective control mechanisms.

We hope that this report helps Nordic companies reflect on their own compliance and ethics journey, as they continue their important work. Please do not hesitate to reach out with any questions.

Beate Hvam-Laheld
Partner, KPMG Norway

Key findings

01 Expanding ESG risks

Sanctions is the top governance risk, health and safety is the top social risk, and negative impact on climate change is the top environmental risk. Overall, most companies say their management has a “strong focus” on mitigating E, S, and G risks alike.

See more on ***page 5***

02 Perceptions of high maturity

A majority of companies claim their compliance program is “comprehensive” or “optimized” and risk-based, yet many still do not have key performance indicators (KPIs) for measuring effectiveness.

See more on ***page 9***

03 How effective are those controls?

Only around half of respondents say their company regularly monitors the effectiveness of their compliance program and at least 20.5% of the respondents do not utilize key performance indicators related to ethics and compliance.

See more on ***page 13***

04 A spotlight on third-party risk management

Many respondents (60%) named TPRM as one of their top areas eyed for process improvement in the coming years. The survey suggests third-party audits are being utilized by Nordic companies, but in limited scale.

See more on ***page 15***

05 Slow to automate

An arguably low percentage of respondents (37.5%) say they have begun compliance process automation at some level. This is compared to 70% of the respondents from the KPMG Global CCO Survey, suggesting Nordic companies may be behind global trends.

See more on ***page 17***

06 The work continues

The vast majority of respondents (87.5%) say their companies will likely face increasing regulatory expectations and scrutiny in the next two years, with the greatest pressure coming from regulators and social policy/public perception.

See more on ***page 19***

01

New year, evolving risks

Nordic companies are feeling the pressure

- **New ESG legislation, such as, the Corporate Sustainability Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), among other drivers, have upped the discourse on ESG-related risk.**
- **Negative impact on climate change, health and safety, and sanctions are the respective environmental, social, and governance risks receiving the highest attention.**
- **Digitalization of risk management is a top challenge.**

E, S, and G risk rankings

Survey participants were asked to rank their top environmental, social, and governance risks (see, Figure 1). The top three environmental risks – (1) negative impact on climate change, (2) greenhouse gas emissions, and (3) energy consumption – were also the top three identified in 2023. Health and safety is the highest ranking social risk, and has been so for the last three years. Harassment and/or bullying is considered the third most relevant social risk, as it was in 2023. Employment conditions, however, is a new top social risk, moving from 6th position in 2023, to 2nd this year. This year companies deemed sanctions risks to be the number one governance risk (up from 4th position in 2023). Conflict of interest and bribery and corruption came in second and third.

Top 3 environmental, social, and governance risks

	Rank 2024		Rank 2023	Trend
Environmental	01	Negative impact on climate change	2	↗
	02	Green-house gas emissions	3	↗
	03	Energy consumption	1	↘
Social	01	Health and safety	1	→
	02	Employment conditions	6	↗
	03	Harassment and/ bullying	3	→
Governance	01	Sanctions	4	↗
	02	Conflict of interest	3	↗
	03	Bribery and corruption	6	↗

Figure 1: Ranking of the top 3 ESG topical risks with comparisons to the ranking from last year's survey results

Additional risk findings

Management of Nordic companies appear to be focusing on environmental, social, and governance risk mitigation quite evenly, with a majority of respondents agreeing or strongly agreeing that the management of their organization has a "strong focus" on mitigating environmental (85%), social (82.5%), and governance risks (85%), respectfully. Companies may wish to consider ways to integrate their E, S, and G compliance activities—for a holistic, streamlined approach. Aside from topical ESG risks, respondents highlighted that attention is being given to reporting requirements, internal data quality, and internal capacity and competence needs. Interesting to note, around half of the companies surveyed now have a dedicated human rights officer, or equivalent.

Survey results suggest Nordic companies are feeling most pressure from regulators, and then second: social policy and public perception. Customer pressure received less attention. This is in contrast to the KPMG Global CCO Survey results, where customer pressure was rated the highest.

Beyond identifying risk

How Nordic companies are managing risk is a theme throughout this report, with insights related to compliance program maturity, controls, and technology. A few introductory highlights, include:

79.5% of respondents think their compliance program is taking a risk-based approach

72.5% believe their management has clearly defined risk tolerance for ethics and compliance risks

56.5% think that line-of-business management takes ownership for their respective compliance and ethics risks

Survey results also suggest that Nordic compliance programs expect to face near-term challenges when it comes to digitalization of risk management.
The challenge is seen as the third highest ranked challenge, only behind new regulatory requirements and third-party risk management.

Did you know?

KPMG *recently interviewed* 22 top executives from large Norwegian companies. The executives' main concern areas are summarized as: (a) Geopolitical unrest, protectionism, and political risk, (b) Digitalization and technological development, (c) the green shift, and (d) the battle for talent

Both in the Nordics and globally, we are now experiencing a large growth in fraud and cybercrime. Eight percent of all Norwegian police reports concerned fraud in 2023, according to the *Norwegian Økokrim.* Criminals are becoming increasingly professional and there is a need for new operational measures to protect us from economic crime.

Key drivers and insights

- Impacts to people and the environment has heightened focus, especially related to new regulatory developments (some examples are included in Figure 2).
- ESG-related litigation (e.g., greenwashing) is on the rise.
- Requirements are increasingly covering a company's supply chain (e.g., The Norwegian Transparency Act of 2022) or value chain (e.g., E.U. CSRD).
- Climate change will continue to pose significant risks, and companies should be prepared to face scrutiny over their performance.
- Social risks are no longer limited to the potential for reputational damage—Nordic companies are facing a range of legislative requirements related to human rights and decent working conditions.
- Conflict of interest remains a major risk for companies, as evidenced by recent high-profile cases in the news.
- The geopolitical landscape, such as the war in Ukraine, the crisis in the Middle East and evolving sanctions continue to posit risks to Nordic companies.

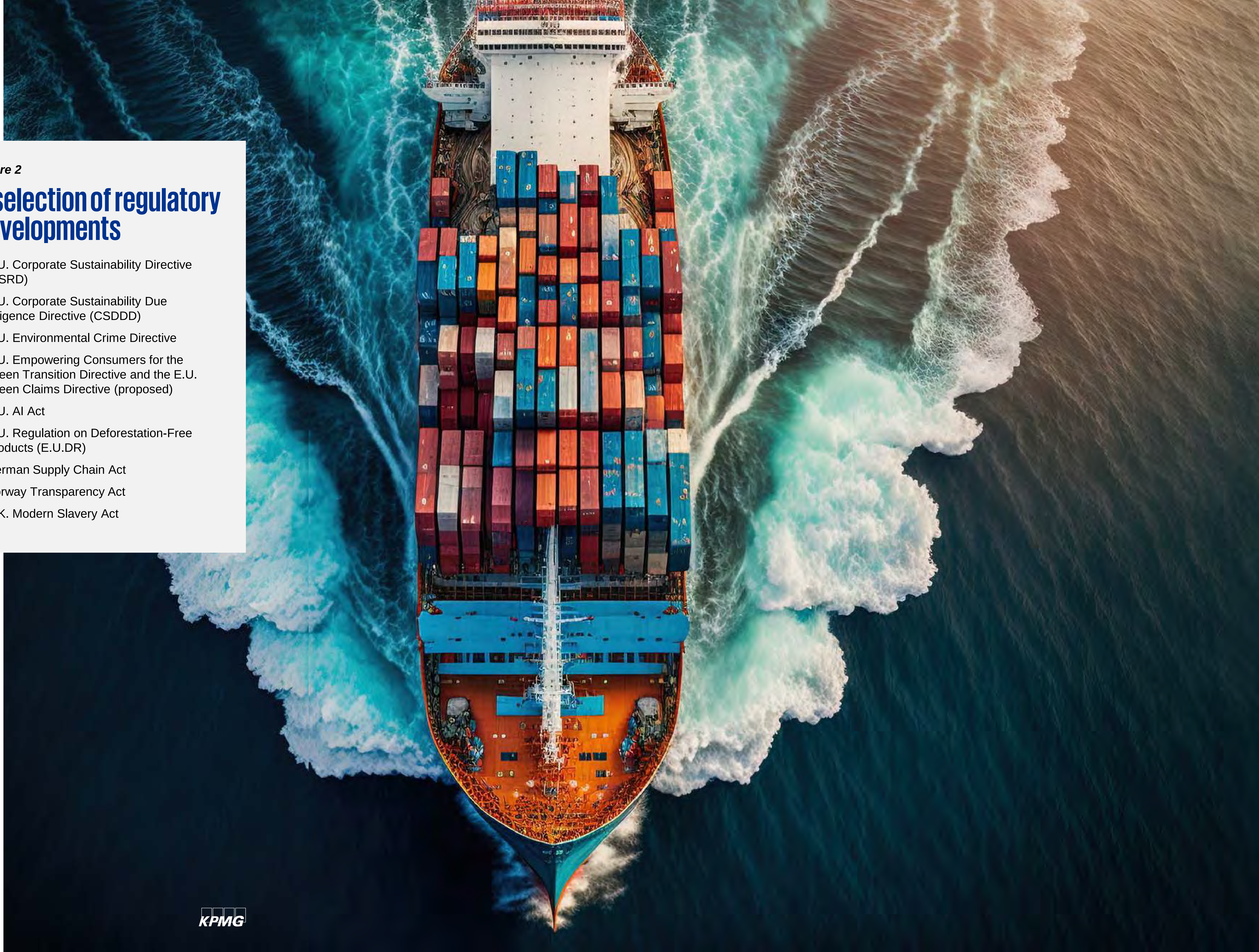
Steps companies can take

- Review compliance deficiencies and areas for improvement, such as data collection needs
- Take steps to identify and reduce environmental and social impact and engage in transparent reporting
- Increase supply chain transparency
- Consider digital tools and how to automate compliance processes. See, e.g., [KPMG's Habilitetsregisteret]

Figure 2

A selection of regulatory developments

- E.U. Corporate Sustainability Directive (CSRD)
- E.U. Corporate Sustainability Due Diligence Directive (CSDDD)
- E.U. Environmental Crime Directive
- E.U. Empowering Consumers for the Green Transition Directive and the E.U. Green Claims Directive (proposed)
- E.U. AI Act
- E.U. Regulation on Deforestation-Free Products (E.U.DR)
- German Supply Chain Act
- Norway Transparency Act
- U.K. Modern Slavery Act



02

High maturity hopes

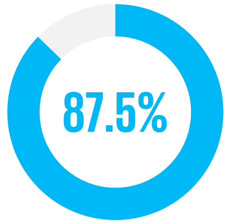
How are Nordic compliance programs actually faring?

- **No company perceived their compliance work as having the lowest maturity level, while half considered their compliance work at the top end of the maturity scale.**
- **Companies claim robust, risk-based compliance programs, but the lack of key performance indicators (KPIs) suggests they struggle to measure and validate their programs' true impact.**
- **An increase in the number of companies with dedicated human rights staff highlights growing awareness of and efforts to comply with new regulation.**

Maturity self-reflection

Is Nordic compliance program maturity on the rise? Last year, the highest percentage of respondents (49%) rated their compliance work as "established," or level 3 on a scale from 1 to 5, with 5 being the most mature (see, figure 3 for scale definitions). Fast forward to 2024, and the highest percentage of respondents (40%) explained their compliance work as one level higher—"comprehensive" (level 4).

Also notable, the percentage of companies claiming they have the highest level of compliance maturity (level 5 – optimized) jumped from around 4% in 2023, to 10% this year. Plus, no organizations placed themselves at the most basic level (level 1) this year. This could reflect a trend towards more sophisticated and robust compliance programs in the Nordics; however, more data is needed to understand if this is actually the case.



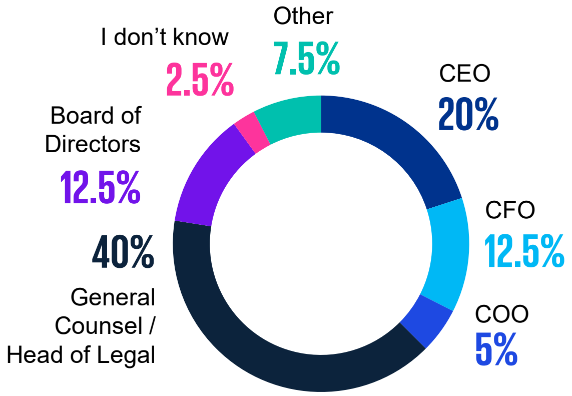
of respondents have an ethics and compliance function or department

Organizational structure and workforce expansion

Many respondents say their Head of Compliance reports to General Counsel or Head of Legal (40%), while 20% say they report to the CEO, and 12.5% to the Board (see, Figure 4).

Figure 4

Whom does the head of compliance / Chief Compliance Officer report to?

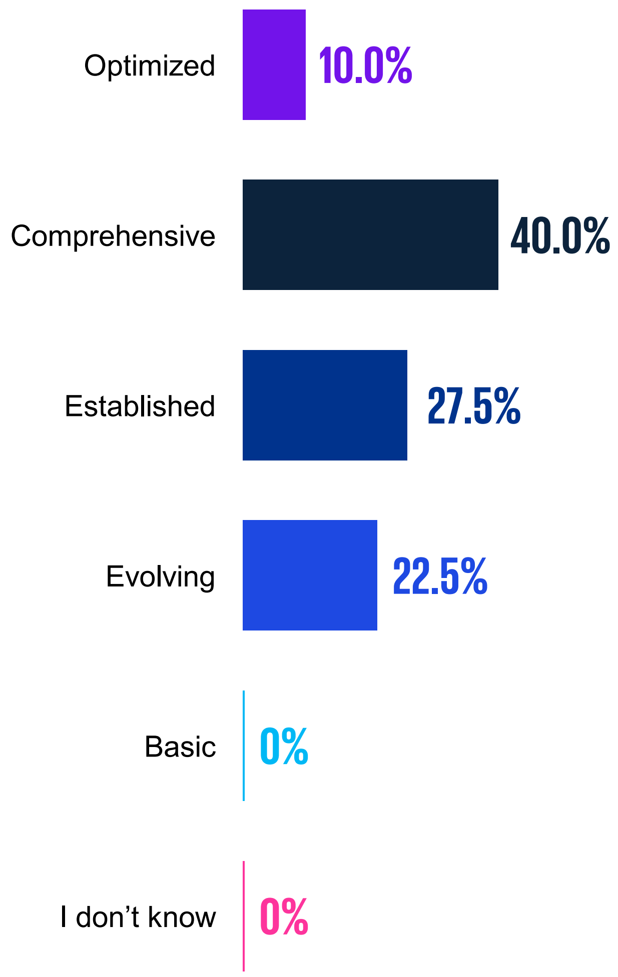


Half of respondents say they have a human rights officer, or equivalent—a jump from 39.2% of responding companies last year. While not conclusive, we highlight a potential trend in connection to companies recognizing the importance of complying with new regulation related to human rights and decent working conditions.

A majority of respondents (65%) say they have an internal audit function, yet this is a decrease from the number of organizations in 2023 (76.4%). This could indicate that Nordic companies are restructuring or increasingly outsourcing the critical oversight role.

According to the KPMG Global CCO Survey, 72% of global CCOs plan to increase the number of full-time employees in their compliance functions, with most eyeing up to a 5% expansion. In the Nordics, however, only around 22% of participants feel their ethics and compliance teams are actually understaffed, highlighting a potential regional difference in staffing needs.

On a maturity scale from 1-5, where would you say that your company is with respect to ethics and compliance work?



KPMG definitions of compliance maturity levels

Level 5 - Optimized: The work on compliance with external regulatory requirements and internal rules is systematic, efficient and well integrated at all levels of the organization in accordance with guidelines and best practice, , e.g. US DoJ Evaluation of Corporate Compliance Programs and the UK Bribery Act. The management and Board of Directors take an active role in reviewing and improving the compliance program. There is a strong focus on evaluation and learning across the organization. Digital tools are implemented to facilitate the collection and analysis of relevant company's data to support compliance risk management, monitoring and reporting activities and ensure traceability.

Level 4 - Comprehensive: The work on compliance with external regulatory requirements and internal rules is systematic and well integrated all levels of the organization in accordance with guidelines and good practice, e.g. US DoJ Evaluation of Corporate Compliance Programs and the UK Bribery Act. The management and Board of Directors are involved in reviewing and improving the compliance program. There is a strong focus on evaluation and learning. Digital tools are to some extent implemented to facilitate the compliance work.

Level 3 - Established : Work on compliance with external regulatory requirements and internal rules is systematic and implemented at all levels of the organization in accordance with regulatory requirements and guidelines and good practice, e.g. US DoJ Evaluation of Corporate Compliance Programs and the UK Bribery Act. Digital tools are to some extent implemented to facilitate the compliance work.

Level 2 - Evolving: The compliance program has several key elements in place, but there are significant shortcomings. The activities are not systematic and well integrated at all levels of the organization. The program partly satisfies external regulatory requirements and guidelines. The maturity of some major disciplines is inadequate.

Level 1 - Basis : The compliance program is fragmented. There are significant deficiencies in governing documents and implemented processes. The program does not satisfy external regulatory requirements and guidelines within one or more significant subject areas.

Figure 3: Compliance maturity levels (1-5) and definitions and how survey participants responded.

A risk-based approach
Overall, organizations appear to be adopting risk-based approaches and refining training activities.

79.5% say their compliance program is risk-based

64.1% say they have risk-based compliance and ethics training tailored to different roles in the company

64.1% say they apply risk-based integrity due diligence for third-party relationships

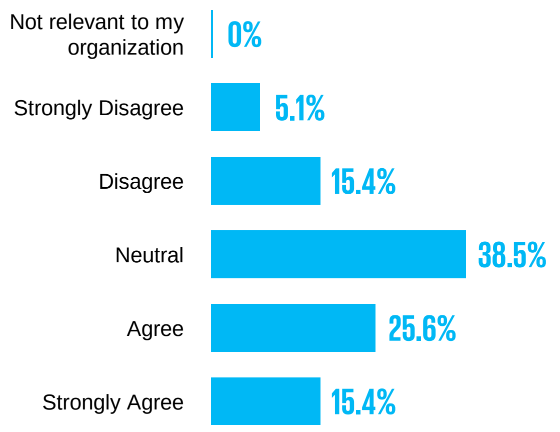
The Board's involvement and performance metrics
Many Nordic companies have elements that reflect an agile and effective compliance program. For one, around 72% of respondents agree that their company has effective and tailored compliance controls in place. Also, around 70% of companies say the Board annually reviews and approves the ethics and compliance program and also receives regular reports (e.g., quarterly) from the ethics and compliance function.

However, results also suggest that many Nordic companies have room for improvement when it comes to monitoring compliance program effectiveness. Only half of respondents agree or strongly agree that their organization regularly monitors the effectiveness of their compliance program.

In addition, there appears to be a gap in the use of key performance indicators (KPIs), where only 41% of respondents confirm the use of ethics and compliance KPIs, an essential component for measuring how compliance programs are, or more importantly—are not—meeting their objectives (see, figure 5).

Figure 5

Our organization has implemented key performance indicators related to ethics and compliance



The findings suggest there may be a disconnect between companies' intentions and their execution, as well as their perceptions and the reality of their compliance maturity. While many companies assert that their compliance programs are risk-based and that they have effective controls to mitigate risks, the lack of widespread implementation of ethics and compliance KPIs indicates that these companies may not be fully equipped to measure or validate the effectiveness of their programs. Without KPIs, it's challenging to track progress, identify weaknesses, and ensure that the compliance measures are actually achieving their intended outcomes.

Key drivers and insights

- The United States (U.S.) plays a large role in setting the standard for compliance in the Nordics, particularly regarding extraterritorial jurisdiction and sanctions. With Nordic companies facing significant fines in recent years, companies should reference U.S. guidelines and recommendations for effective compliance programs.
- Increasing reporting requirements and heightened public scrutiny are compelling companies to strengthen and evolve their compliance programs as they must now demonstrate adherence to stringent regulations and standards in their public disclosures.
- As companies expand globally they face diverse regulatory environments, making it crucial to develop a centralized yet adaptable compliance program that meets both global standards and local requirements.
- Implementation of technology can improve compliance processes and overall maturity, however, regulators will also be expecting robust risk management (e.g., the U.S. Department of Justice (DOJ) has signaled the need for companies to have adequate AI-related risk management).

Steps companies can take

- Develop and integrate KPIs, specifically for ethics and compliance. KPIs will provide measurable benchmarks to assess the effectiveness of compliance programs, enabling organizations to track progress, identify weaknesses, and drive continuous improvement.
- Strengthen the alignment of compliance efforts with specific risks by conducting thorough risk assessments. This will ensure that compliance program is not only comprehensive but also tailored to the unique challenges and risk landscapes of the organization.
- Consider digital tools and how to automate compliance processes, but keep risk-management and governance considerations at the forefront.

03

Within your control(s)

How effective are companies' controls and whistleblowing systems?

- **Many companies say they have targeted and effective ethics and compliance controls, but KPIs and regular monitoring for effectiveness may be underutilized.**
- **Over three-fourths of companies say they incorporate learnings from the results of internal controls and other findings.**
- **Many Nordic companies appear to have a whistleblowing channel, however, around a quarter of the respondents do not believe the reports received accurately reflect the potential level of incidents that have occurred.**

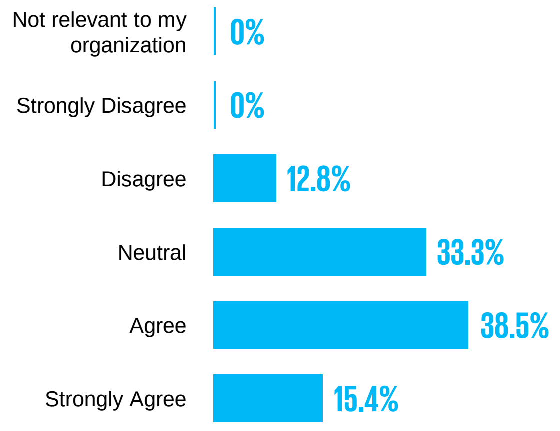
Internal controls
A culture of trust in the Nordics sometimes leads companies to think, "we don't need controls, because we trust our employees." However, a governance approach based on trust—*and* verifications—is necessary to comply with regulations.

Internal controls are important for detecting, preventing, and correcting compliance issues. Of the respondents, 72% of the Nordic companies agree or strongly agree that they have targeted and effective controls in place to manage ethics and compliance risks, an uptick from last year's 57%. In addition, almost 78%, say they incorporate learnings from the results of internal controls and other findings.

There is likely still room for improvement, as around 20% of the respondents say that their organization has not implemented key performance indicators related to ethics and compliance and 25% do not have an internal audit function (although not required or essential, it can uncover deficiencies). Further, only around half of respondents agree or strongly agree that their organization regularly monitors the effectiveness of their compliance program (see figure 6). These findings suggest that some Nordic companies may not have a confident grasp on whether their internal control system is working adequately.

Figure 6

Our organization regularly monitors the effectiveness of our compliance program

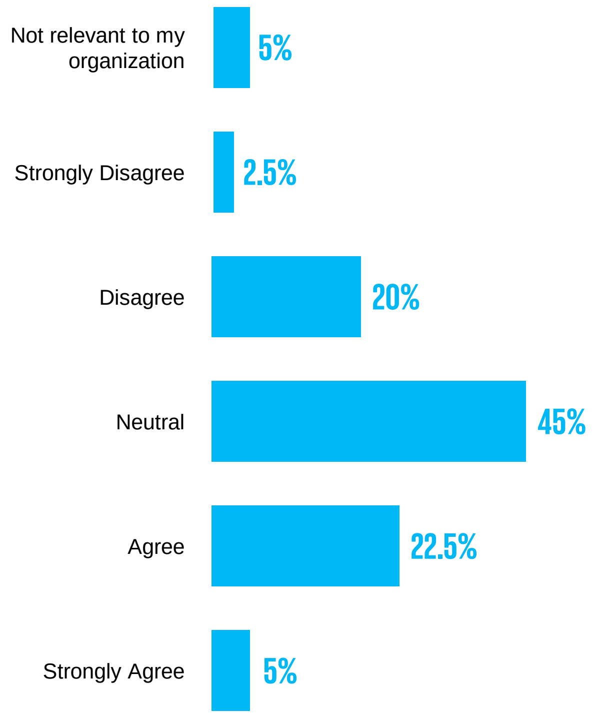


Whistleblowing
Most respondents (93%) have a whistleblowing channel; however, the extent third parties have access, as well as the general utilization is placed into question by survey respondents. For instance, 22.5% of respondents do not think the number of whistleblowing reports received reflects the potential level of incidents that have occurred (see, figure 7). One explanation could relate to the perceived lack of use by suppliers and other third parties, where only 57% of respondents agree or strongly agree to the statement that their third parties are encouraged to report concerns or misconduct through the whistleblowing channel. This potential for limited oversight of third parties may be a risk for Nordic companies to consider, especially with some regulatory requirements expanding to the supply chain and some requiring a robust and accessible grievance mechanism be in place for stakeholders.

On a positive note, survey respondents tend to agree or strongly agree that they have an option for anonymous reporting and that whistleblowing cases will be followed up professionally. When it comes to investigations, it can be noted that a quarter of the respondents do not have an internal dedicated investigation unit for whistleblowing cases, potentially highlighting some outsourcing of the activity.

Figure 7

The number of whistleblowing reports received reflects the potential level of incidents that have occurred



Key drivers and insights

- The Whistleblower Directive (Directive (E.U.) 2019/1937) requires most E.U. companies to implement an internal reporting policy for whistleblowing. While it is required for employees and hire-ins, it is not considered required for externals (e.g., suppliers).
- For companies in scope, the E.U. Corporate Sustainability Due Diligence Directive (CSDDD) requires a grievance mechanism be in place and accessible for workers and stakeholders.
- The U.S. DOJ recently launched a new Corporate Whistleblower Awards Pilot Program to incentivize more reporting of corporate misconduct.
- The use of workflow automation systems for control procedure compliance is readily expanding.

Steps companies can take

- Ensure reporting channels are accessible and advertised sufficiently
- Test if suppliers, or other external stakeholders, are able to raise concerns
- Conduct regular testing of the internal control system effectiveness
- Incorporate learning from substantiated whistleblowing reports across the organization and consider conducting root cause analyses

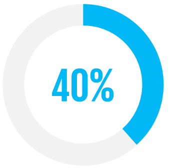
04

TPRM's time

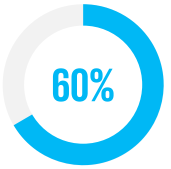
Nordic companies see third-party risk management as a top compliance challenge

- **Nordic respondents flag third-party oversight as a top challenge—more than triple the level of concern identified in the KPMG Global CCO Survey.**
- **Many companies (36%) do not leverage the benefits of a risk-based third-party risk management (TPRM) approach, risking wasted resources and compliance being seen as burdensome.**
- **Only half of respondents agree that their organization monitors third parties throughout the project life cycle, suggesting a gap in oversight for many Nordic companies.**

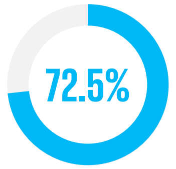
TPRM is especially of interest to Nordic companies



of respondents consider third-party oversight and due diligence as one of their main challenges, compared to other areas. This is in contrast to only 12% of the KPMG Global CCO Survey respondents (see, figure 8).



of the Nordic survey respondents named TPRM as one of their top areas eyed for process improvement, compared to only 22% of the global CCO respondents.



of the Nordic survey respondents named TPRM as one of their top areas eyed for process improvement, compared to only 22% of the global CCO respondents.

Third-party risk management is on the agenda

Companies are facing heightened scrutiny and growing regulatory requirements that cover not just their internal operations, but also their supply chain and third party dealings. Companies are therefore noting the importance of having comprehensive third-party risk management processes for various risks, including sanctions. Implementing these policies is not just about ticking compliance boxes—they help companies ensure compliance, protect their reputation, and promote operational resilience in an ever-evolving global market.

Nordic companies strive for better third-party oversight: are supplier codes enough?

Most respondents (94.8%) have a supplier code of conduct, and 71.8% believe that a breach of the code will have appropriate consequences for involved third parties. While 64.1% of respondents agree or strongly agree that their organization applies a risk-based approach for third-party due diligence, the rest risk poor resource allocation, i.e., performing excessive due diligence on the third parties that pose little risk, and on the flipside, potentially doing too little in regards to higher risk relationships. Nordic companies may also aim to improve ongoing monitoring, as only around half of respondents confirm that their organization actively monitor third parties throughout the project life cycle.

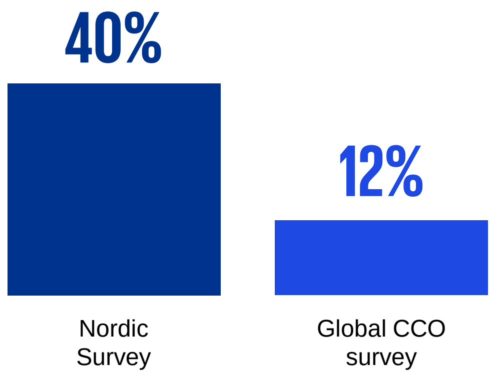
Audit efforts

Third-party compliance audits are essential for enforcing a company's policies, for example, regarding ESG. When asked if there had been any findings or indications during supplier audits that may relate to human rights considerations, 35% of respondents answered yes, suggesting audits potentially played a role in addressing human rights risk for numerous companies in the Nordics.

When asked about how many audits were conducted the last year, there is a positive trend compared to last year's survey findings: 35% of respondents from large companies (more than 1,000 employees) conducted more than 30 audits this year, comparing to only 10% in 2023. While this indicates a step in the right direction, the percentage of larger companies conducting a substantial amount of audits is still arguably low.

Figure 8

Nordic versus Global survey results—the percentage of respondents who ranked TPRM among their top three compliance challenges for the next two years.



Key drivers and insights

- With increased sanctions, trade restrictions, and the potential obstacles in identifying beneficial ownership, companies must have good oversight of global operations to stay compliant.
- Regulators are zeroing in on TPRM, driven by initiatives like the proposed E.U. Corporate Sustainability Due Diligence Directive (CSDDD) and other directives targeting cybersecurity, operational resilience, data privacy, emissions, raw material usage, and human rights.

Steps companies can take

- Implement a risk-based approach to TPRM to avoid wasting resources, letting risks go undetected, and preventing compliance processes from becoming overly burdensome.
- Follow up of third parties should be throughout the project lifecycle.
- Consider utilizing digital tools and automating TPRM processes. Emerging technologies offer greater flexibility, making it easier to integrate these tools into business operations and customize them to suit the specific needs of users.

Did you know?

The Norwegian Ministry of Children and Families has commissioned KPMG to assess the impact of the Norwegian Transparency Act (2022) on companies' efforts to uphold human rights and ensure decent working conditions within their operations and supply chains. As part of this evaluation, KPMG will conduct a survey targeting 600 companies to gather insights into their experiences with the Transparency Act. The report will be ready in December 2024.

05
Tech timeout

Nordic companies may be lagging with compliance automation

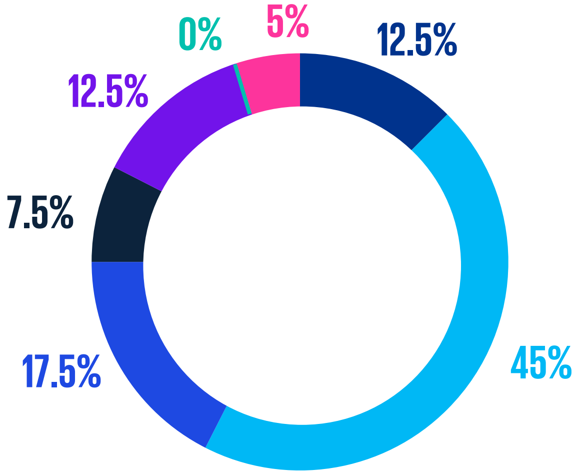
- **Less than half of the respondents have started automating their compliance processes.**
- **Nordic compliance programs may be less advanced in automation compared to international trends.**
- **Budget constraints and the absence of digital tools that are tailored to a company's unique needs appear to be hindering digital tool implementation.**

Automation maturity (see, figure)
The survey results reveal that less than half of the respondents have started automating their compliance processes (see, figure 9). Most respondents (45%) say they are in the early stage of "planning and developing of tasks to automate." It is worth noting, however, that 12.5% of respondents say their company is already "implementing enterprise technology solutions to create better visibility and control." Surprisingly, around 57% of the largest companies surveyed (with over 5,000 employees) have not begun automating their compliance processes.

The results, when compared to those of the KPMG Global CCO survey, suggest Nordic companies may be trailing behind the global trend. For example, 70% of global survey participants say they have begun automation at some level, compared to only 37.5% from the Nordics survey (see, figure 10). No companies from either survey, however, rated themselves at the highest level of automation maturity, "Level 6 – Leveraging artificial intelligence to perform more complex decision-making."

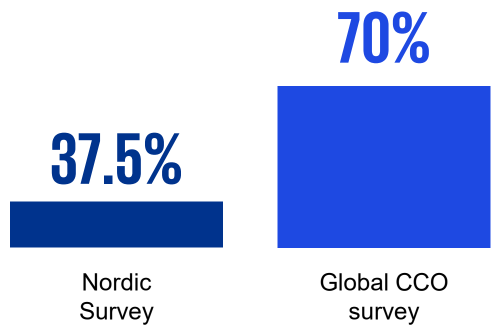
Despite this lag, the Nordic survey results indicate that Nordic companies are likely planning to enhance their technology use soon. Over 40% of respondents expect their technology budgets for compliance functions to increase in the next year, with data analysis (25%) and process automation (22.5%) identified as key areas for investment.

Figure 9
How would you assess your organization's compliance's current level of automation maturity?



- Have not begun automating
- Planning/developing tasks to automate
- Currently utilizing bots for repetitive manual processes
- Developed data analytics and predictive modeling for compliance monitoring and risk management
- Implementing enterprise technology solutions to create better visibility and control
- Leveraging artificial intelligence to perform more complex decision making
- I don't know

Figure 10
Nordic versus Global survey results—the percentage of respondents who have begun compliance automation at some level.



Digital tool wish list
Respondents gave insight into what digital tools would be most relevant for their organization. The top three tools selected include:

- TPRM-related tools (72.5%)
- Training support tools (52.5%)
- Key performance indicator dashboards (50%)

When asked what obstacle mostly prevents faster implementation of digital tools, companies indicate (1) budget constraints and (2) that the tools on the market are not well tailored to the companies needs. Lack of internal competence and knowledge of what tools are on the market are other obstacles selected by companies. There are of course trade-offs to consider for technology implementation, for the efficiency gained, it can also be expensive, difficult, and potentially risky. It is generally thought, however, that compliance programs will need to strike a balance to meet the evolving pressures and complexities now, and to come.

Key drivers and insights

- Digital tools for compliance processes are often far from perfect solutions (and are typically quite costly). For instance, they may lack compatibility with existing process systems and may not be well-suited to the specific needs or nature of the business.
- The E.U. AI Act (2024) regulates the use of artificial intelligence (AI) within the E.U., establishing different rules based on the level of risk each AI technology presents. This regulation aims to enforce stricter requirements on AI tools and governance, while also enhancing transparency in AI-driven decisions and outcomes.
- Transparency requirements (e.g., disclosing that content was generated by AI) should be considered when using generative AI, such as ChatGPT.
- While AI and other technological advances are promising, there are concerns related to safety, security, the environment, and ethics (e.g., systematic racial or gender biases).

Steps companies can take

- Companies should thoroughly assess their needs before investing in digital tools to ensure they select the most effective solution, and if necessary, consider a customizing.
- Companies can start by leveraging AI as a "colleague" to enhance data analysis, provide recommendations, and automate tasks. Tools like Microsoft Copilot, integrated into CRM and ERP systems, offer powerful AI capabilities to boost productivity, improve experiences, and drive innovation.
- Consider establishing adequate governance (e.g., AI code of conduct) and additional guidance to ensure the ethical and compliant use of, for example, AI and processing of sensitive and confidential information.

06

The work continues

Nordic companies expect increased compliance focus

- **The majority of respondents expect the level of compliance focus to increase due to regulatory expectations and scrutiny.**
- **Nordic companies agree with global findings, saying regulatory requirements are the top compliance challenge.**
- **Respondents identify TPRM as a primary focus for process improvement in the near-term, alongside anti-bribery and corruption, corporate conduct, and cyber/information protection.**

Increased compliance focus

Many Nordic companies appear to be preparing for more compliance work ahead. Where 87.5% of respondents expect the level of compliance focus to increase due to regulatory expectations and scrutiny, only 10% expect it to remain the same and 2.5% expect it to decrease.

Challenges and prioritization

Nordic companies appear to expect these top compliance challenges in the near-term: new regulatory requirements (45%), third-party oversight and due diligence (40%), data analytics and predictive modeling (25%), employee training (22.5%) and compliance function budget restrictions (22.5%). While global CCOs agree with regulatory requirements being the top challenge, other challenges identified in the KPMG Global CCO Survey include improving board involvement, compliance controls, and data and digitalization areas.

Participants say they are targeting these top areas for process improvement: TPRM (60%), anti-bribery and corruption (47.5%), corporate conduct or ethics (35%), cyber and information protection (32.5%), and human rights and modern slavery (32.5%).

Global CCOs, however, appear to be highly targeting cyber or information protection and data privacy, followed by health and safety, product safety, and health and wellness (see differences between the two survey results in Figure 11).

Figure 11

Different process improvement priorities: how the top 5 areas targeted for process improvement compare to the Global CCO Survey rankings

Process improvement areas (Top 5)

Nordic survey ranking		Global CCO survey ranking of same area
01	TPRM	9
02	Anti-bribery and corruption	8
03	Corporate conduct and ethics	14
04	Cyber/information protection	1
05	Human rights and modern slavery	18

Moving away from "paper compliance"

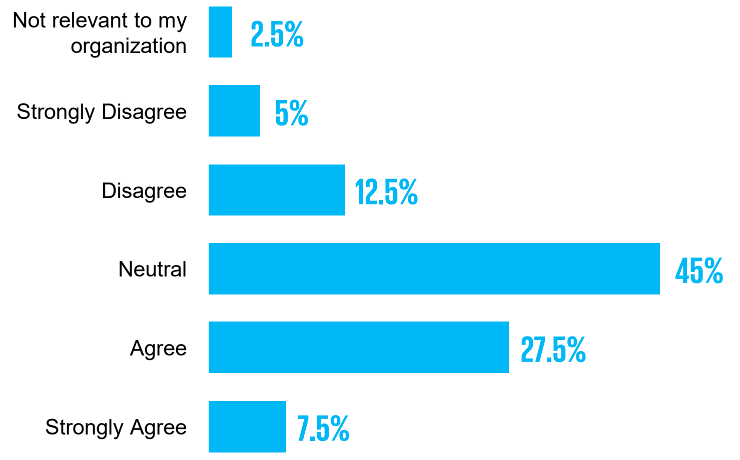
New regulation will bring more work for compliance programs, but is the work having a real effect? When survey participants were asked if they thought increased legislation on human rights has had a real effect on the ground for affected individuals and communities, only 35% said yes; while at least 17.5% thought it did not have a real effect (Figure 12).

As compliance programs in the Nordics move forward, there is room for the reflection: what is the purpose—and actual impact—of our compliance work? While there is no one correct answer, companies may want to avoid being merely "paper compliant," or in other words, having the "right" governing documents, without implementing actions in practice. When asked to what extent is your organization paper compliant, respondents have varying responses: 7.5% of survey respondents said they were "very" paper compliant, 40% said "moderately," 35% said "slightly," and 17.5% said "not at all."

Interestingly, of the largest companies responding (over 5,000 employees), around 81% say their company is "slightly," "moderately" or "very paper" compliant, with 14% saying they were "very" paper compliant. This suggests, some companies in the Nordics, even some of the largest, still have a far way to come in making their compliance and ethics programs more effective in practice.

Figure 12

Increased legislation on Human Rights has had a real effect on the ground (for the affected individuals, communities)



Contact

Beate Hvam-Laheld
Norway
E: beate.hvam-laheld@kpmg.no

Antti Aalto
Finland
E: antti.aalto@kpmg.fi

Martin Kruger
Sweden
E: martin.kruger@kpmg.se

Camilla Mackenzie
Denmark
E: camackenzie@kpmg.com

kpmg.no | kpmg.se | kpmg.fi | kpmg.dk