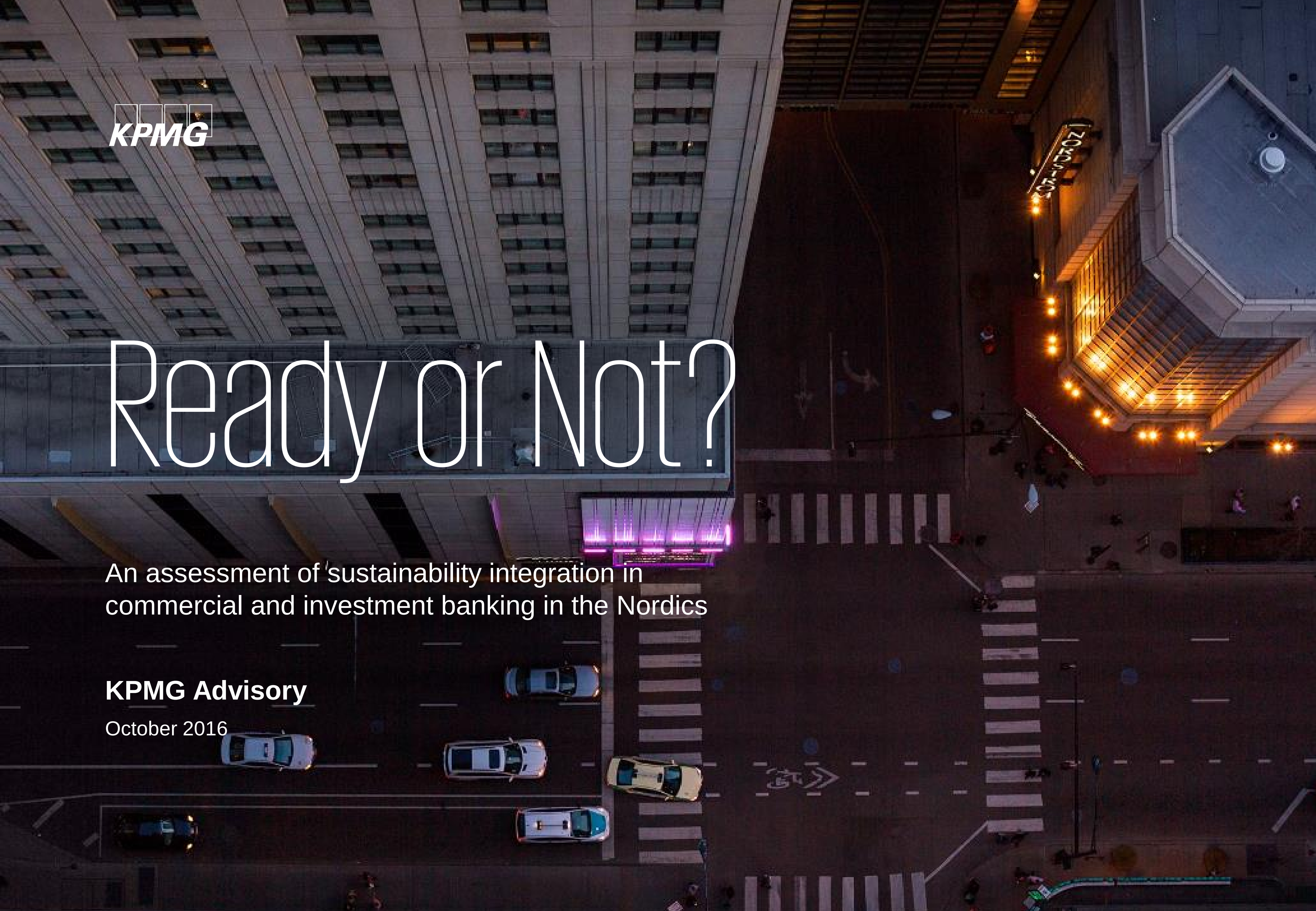
KPMG

Ready or Not?

An assessment of sustainability integration in commercial and investment banking in the Nordics



KPMG Advisory

October 2016

Contents

Foreword

Banks and financial institutions have always created value for society. They facilitate the movement of capital and provide safe payment methods, both of which fundamental to business and societal development. Directly and indirectly the financial services industry has facilitated the creation of jobs, payment of taxes and creation of innovations that serve society.

Increased pressure from regulators and authorities, customers, employees and local communities as well as new market dynamics, will over time internalize factors that today are external and do not impact the P&L or the risk level – of businesses directly or banks indirectly, such as greenhouse gas emissions, water scarcity and natural resource depletion.

Therefore, banks and financial institutions are increasingly more expected to take responsibility, not only of their investments but also of their client relations and loan portfolios. Moreover, niche actors and cooperative banks are gaining traction in international markets by working with radical transparency and broader environmental and social (E&S) performance indicators which go beyond financial returns.

In light of these trends, traditional banks and financial institutions are being challenged to rethink their business models and the way they engage with clients on E&S aspects of their business. We believe banks need to better understand, quantify and even monetize E&S risks and opportunities, since future value is at stake. There is also a possibility for banks to allocate more capital to sustainable sectors and more sustainable business practices.

During the past year, the pressure onto the financial sector in the Swedish market has increased. The Swedish government [1] and the Swedish Financial Supervisory Authority (Finansinspektionen)[2] have initiated a discussion on how the Swedish financial sector can increase transparency on how environmental and social risks are assessed and taken into account when granting credits. A greater transparency would allow customers, investors and counterparts to better understand how their savings reflect into corporate lending and would also allow for comparisons between banks.

This report builds upon a KPMG/WWF International production from 2015, where European banks were assessed, and it provides an overview of the current state of environmental and social risk integration into nine of the Nordic banks and financial institutions. The primary focus of the survey conducted, is commercial and investment banking and the corporate lending side of smaller institutions. The report also identifies examples of good practice.

This report cannot provide all the answers to the challenges mentioned, and it does not set out to do so. But our hope is, that this report will inspire boards and senior executives in the sector to take the next step on their journey, and that the findings in this report will improve understanding of how this can be done amongst client executives, credit analysts and advisors. Our ambition is also to inform politicians in their role as regulators and to increase knowledge of wider civil society around the topic of corporate lending by banks.

Nordic banks and financial institutions have come far in recent years, and we hope to inspire the sector to progress further and faster.

Helena Mueller
Sustainability Advisory Lead
KPMG Advisory Sweden

Johan Giertz
Head of Financial Risk Management
KPMG Advisory Sweden

---

[1] Source: Regeringens hemsida, exempel http://www.regeringen.se/pressmeddelanden/2016/02/per-bolund-bjuder-in-banker-till-samtal-om-hallbar-kreditgivning/

[2] Source: Finansinspektionen (2015), "Environmental and sustainability perspectives in credit granting to companies"

About this report and the methodology used

Scope

This report complements KPMGs/WWF Internationals European 'Ready or Not' report published in 2015, and assesses how far Nordic banks and financial institutions have come in integrating environmental and social (E&S) risks not only in their business strategies, but also in risk management and control, credit assessments and public reporting.

This report was produced during the period of June – October 2016 and focuses on the areas of commercial and investment banking (CIB hereafter) primarily on the credit process.

Nine institutions were assessed in this report: Kommuninvest, Landshypotek Bank, Länsförsäkringar Bank, Nordea, SBAB, SEB, Svensk Exportkredit (SEK), Svenska Handelsbanken and Swedbank. This is similar to the scope used by Finansinspektionen [1] and represents the majority of corporate lending in Sweden.

Information gathering

Data was collected mainly through desktop research and complemented through interviews with representatives of the banks and financial institutions.

Desktop research looked into annual reports, sustainability reports, pillar 3 reports, sector guidelines and policies, position and issue statements and credit policies among other publicly available data on company websites. The interviews were focused on confirming that the assessment based on public data was correct, but also on providing complementary information when needed. The majority of banks and financial institutions were positive to the survey and regarded it as a valuable contribution to their future development and further integration of E&S issues in CIB activities.

Methodology

Four main areas of CIB were examined: strategic framework, integration into CIB banking processes, operating model, and reporting and disclosure. These areas have been operationalized into 20 weighted criteria which also were used for the original European survey, see appendix for a list of the criteria and weights. All criteria also have different alternatives that represent different levels of E&S integration. The choice of what criteria to include and what weights to assign to each criteria was based on discussions with the original authors and availability of data in the Nordics. The main results in this report are based on how banks and institutions perform in relation to each criteria. Furthermore, each bank's and financial institution's maturity level in relation to the different criteria was also assessed. The maturity was evaluated on a scale that ranges from one to five and the same method was used consistently for all organizations, even though we recognize they vary in terms of size and business model.

The report is divided into two parts. Part one provides results on each of the defined criteria in the four main areas, best practices and general recommendations. Part two provides insights from a comparison of the Nordic results and European results. In part two, only the four Nordic universal banks are included.

Banks and financial institutions included in the report

Handelsbanken	SBAB
Kommuninvest	SEB
Landshypotek Bank	SEK
Länsförsäkringar Bank	Swedbank
Nordea	

[1] Source: Finansinspektionen (2015), "Environmental and sustainability perspectives in credit granting to companies"

The research framework was divided into four sections and 20 assessment criteria

1 Strategic framework	2 Integration in commercial & investment (CIB) banking processes	3 Operating model	4 Reporting and disclosure
— Sustainability strategy	— Annual risk identification	— Tools for risk assessment	— Disclosure of risk policies
— Integration into business strategy	— Risk Appetite Statement	— Employee training	— Breakdown loan portfolio
— Target setting	— Risk policy framework	— Portfolio level monitoring	— Integration into Pillar 3
— KPIs	— Risk ratings to clients and transactions	— Client performance measure	
— Supervision of targets	— Frequency of non-compliance cases	— Risk escalation process	
— Capital allocation		— Risk oversight	

The maturity level of E&S integration into CIB is presented in a maturity model

Based on each bank's and financial institution's performance on the assessed criteria, an aggregated maturity level of E&S integration has been determined for the respective institution. Hence, the maturity level reflects average maturity in terms of sustainability integration in commercial and investment banking. KPMG's maturity level assessment model of E&S integration in CIB is based on Harvard Business School's "Five stages to organizational learning" and HBR's "Paths to Corporate Responsibility".

The assessment is based on what score the bank or institution has received on each criteria. Some criteria have been weighted differently according to which step in the maturity model they resonate with, all criteria and weights are available in the appendix. Based on the outcome of the analysis, an average maturity level is calculated, which culminates into a position in the graph to the right.

Even though we recognize banks and financial institutions vary in size, business model, target market and product offering, they have been assessed using the same method for consistency. The intent with analyzing the maturity level of E&S integration in commercial and investment banking activities is not primarily to compare organizations with each other. Rather, the ambition is to provide an oversight of the overall maturity level in the sector as well as provide a picture of how far each bank and financial institution has come in their own journey. Finally we aim to provide guidance on what the next steps in terms of E&S integration would be. Therefore, we advise caution in making any direct comparisons.

	Defensive	Compliant	Managerial	Strategic	Civic
Value creation / *Value erosion*	*'It's not our job to fix that'*	*'We'll just do as much as we have to'*	*'This is part of our daily operations'*	*'It gives us a competitive advantage'*	*'We work with others to become part of the solution'*
What	**Deny existence** of unsustainable business practices or responsibility for addressing them	Adapt a policy-based **compliance approach** as a cost of doing business	Give managers responsibility for societal issues and its solution, and **integrate** responsible business practices into **daily operations**	**Integrate** the societal issue into their **core business strategies**	Promote broad **industry participation** to achieve sustainable development
Why	To **defend against attacks** that could affect (short-term) sales, recruitment, productivity and the brand	To mitigate erosion of economic value in medium-term because of ongoing **reputation and litigation risks**	To mitigate medium-term erosion of economic value and **achieve longer term goals**	To enhance economic value in the long run and **gain first-mover advantage** over rivals	To enhance long term economic value and realize **gains and achieve innovation** through partnerships and collective action

Source: *KPMG's maturity level model based on Harvard Business School's "Five stages to organizational learning" and HBR's Paths to Corporate Responsibility*, 2004

Disclaimer

This report does not provide a comprehensive assessment of each bank and financial institution, but rather an overview of the current state in the Swedish financial sector. Despite having assessed each bank and financial institution individually, this report will not disclose any individual information on banks, apart from publicly available information under “good practices”. The objective of this survey is not to point out frontrunners and laggards but instead to analyze trends in the financial sector and inspire banks and financial institutions to take the next steps in E&S integration.

Banks and financial institutions vary widely in their scope of work, both geographically and by range of services offered. It is important to keep this complexity in mind when interpreting the results presented in this survey. Criteria were consistently evaluated for all actors but the interpretation of results can differ based on the institution’s context.

Furthermore, banks and financial institutions vary in their strategic approach, operations and sustainability maturity level. Although general recommendations are provided based on the sampled data, the findings in this report cannot be applied directly onto all the included organizations. The ambition is that each bank and financial institution will be able to identify relevant parts of the report which they can adapt to their context of business.

Executive summary

The KPMG thought leadership report “Ready or not” the Nordic edition, is a complement to the European report, produced by KPMG and WWF International in autumn 2015. The Nordic report assesses the level of sustainability integration into commercial and investment banking of nine Nordic based banks and financial institutions.

About the report

The purpose of the Nordic edition of KPMG's "Ready or Not" report is to contribute to current discussions on the direct and indirect societal impact of the financial sector. Banks and financial institutions have the power to support the transition to a more sustainable society by managing and controlling environmental and social (E&S) risks in their commercial and investment banking activities. This report presents the level of integration of E&S aspects into the credit process of nine banks and financial institutions with business activities in the Nordic region. Data was collected through desktop research and interviews with senior business representatives, as well as credit and sustainability managers over a period from June 2016 to October 2016.

The report covers four key areas:

1 Strategic framework

2 Integration in commercial and investment banking processes

3 Operating model

4 Reporting and disclosure

N = 9 organizations were researched and their representatives were interviewed

Besides four universal banks, some other types of financial institutions (FIs) are included:

— Credit institution for local governments

— Residential mortgage provider

— Export credit corporation

— Niche bank for financing farming and forestry

20 criteria assessed within the four chosen areas; for example sustainability strategy, KPI's, capital allocation, risk appetite and risk ratings, policies & tools, training, portfolio monitoring, disclosure of risks and Pillar 3 reporting.

4,000 SEK bn*

The total corporate lending portfolio represents an opportunity for banks and financial institutions to impact E&S development positively

**The total of the nine banks and financial institutions' public or corporate lending as stated in the Annual Report 2015*

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

Key findings

Strengths

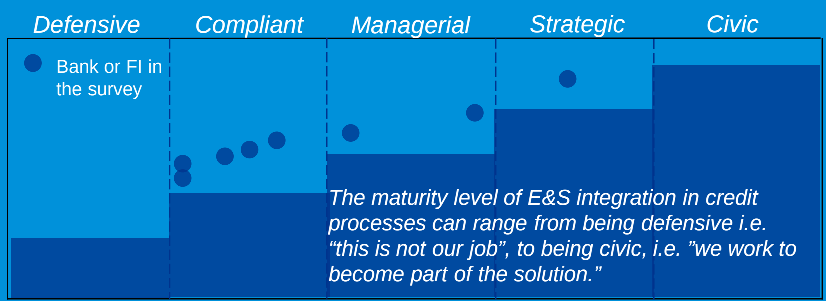
89% have sustainability strategies that are both risk and opportunity-driven

78% have sector and/or issue specific E&S risk policy statements which guide their credit activities

89% use specific tools to assess environmental and social risks when granting credit, most commonly comprehensive checklists

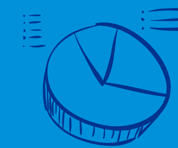
Maturity varies with size and type of business

The Nordic banks and financial institutions have started the journey to integrate E&S risks into their commercial and investment banking activities. Some handle the area strategically, but the majority of institutions are on compliance level. Business model and size play a role in how those risks are managed.



KPMG's maturity level model based on Harvard Business School's “Five stages to organizational learning” and HBR's Paths to Corporate Responsibility, 2004

Room for improvement



22% have both qualitative and quantitative sustainability targets related to credit activities

55% have translated their sustainability strategies into KPIs at some level, but only **11%** have E&S-related KPIs that trickle down from Board-level to middle management and onto business division-level

22% assign environmental and social risk ratings to both clients and transactions

11% utilize advanced tooling (e.g. IT systems and online databases) to assess environmental and social risks in client and transaction approval processes

22% monitor E&S risks at credit portfolio level

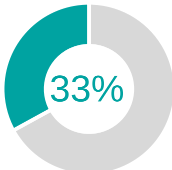
22% include environmental and social risks in the risk appetite statement or risk limits framework

Source: “Ready or Not – Nordic commercial and investment banking sector”, KPMG 2016

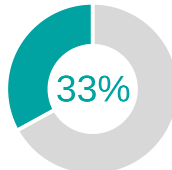
Key highlights - a progressive banking perspective

1

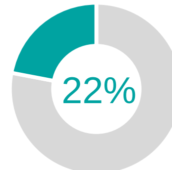
Have opportunity driven sustainability strategies that have a systematic approach



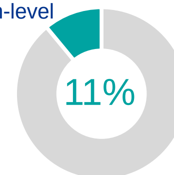
Have strongly aligned the sustainability strategy with business strategy



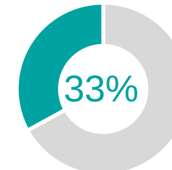
Have both qualitative and quantitative sustainability targets



Have KPIs at sustainability department-level, Board-level and senior and middle management at division-level

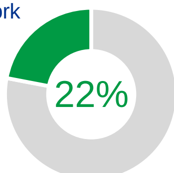


Have partially integrated sustainability factors into capital allocation and budgeting processes

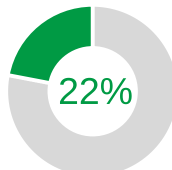


2

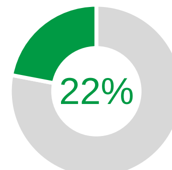
Have integrated both environmental and social risks in RAS or risk limits framework



Have E&S risk policy frameworks for specific sectors and issues

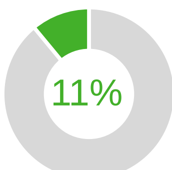


Assign clients and transactions with E&S ratings

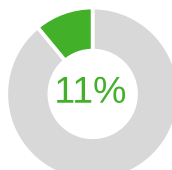


3

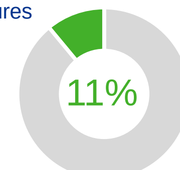
Use advanced tooling for E&S risk assessment



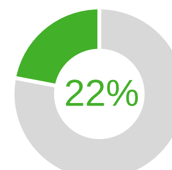
Provide regular training for front office employees



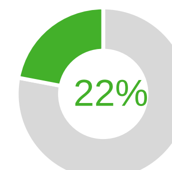
Monitor E&S risks in portfolio quantitatively based on issue exposures



Regularly take measures to improve clients' E&S performance

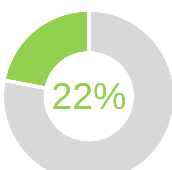


Have mandatory E&S risk escalation for high risk transactions

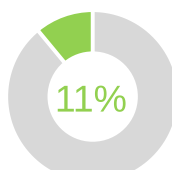


4

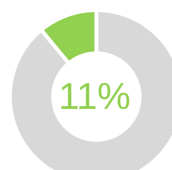
Disclose complete E&S risk policies and application



Disclose impact measures or exposure to sensitive sectors of whole portfolio



Disclose E&S risk profile / management as a separate risk criteria in Pillar 3



The results presented represent the proportion of banks and FIs that was ranked as most progressive on the 16 criteria's shown.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

Part One: Environmental & social risk and opportunity management

Current approaches and practices

Strategic Framework

Sustainability strategy

Integration into business strategy

Target setting

KPIs

Capital allocation

Sustainability strategies are both risk and opportunity driven but the future holds prospect for a more systematic approach on the opportunity side

All of the Nordic banks and FIs in the report have sustainability strategies in place, but they vary in depth and character.

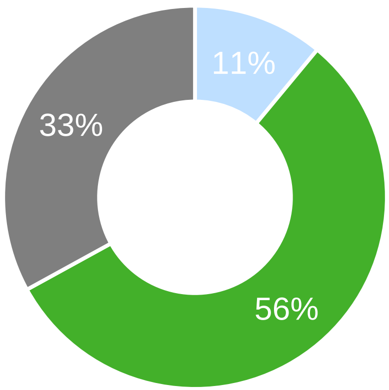
Figure 1 shows that 11% of the Nordic banks and FIs have sustainability strategies which solely aim at mitigating risks. These strategies are mainly focused on avoiding engagements with companies involved in controversial issues such as environmental degradation or corruption.

89% of the banks and FIs have taken their sustainability strategy one step further and have incorporated opportunity driven aspects to it. This means that they have started to pursue business opportunities brought by their sustainability agenda. For instance, they provide financing to solve social and environmental problems such as shortage of housing and the transition to a low-carbon economy.

However, at 56% of the banks and FIs this is done unsystematically and driven by pockets of expertise. Only 33% of the Nordic banks and FIs have a systematic approach to the opportunity driven-side of their sustainability strategies implying for example that their strategy is driven at several levels in the organization.

Fig. 1

Type of sustainability strategy



- No clear sustainability strategy
- Strategy mainly (reputational) risk driven
- Both (reputational) risk and opportunity driven; opportunity side lacks systematic approach and is limited in scope
- Both (reputational) risk and opportunity driven; opportunity side has systematic approach but is limited in scope

By developing opportunity driven strategies with a more systematic and strategic approach banks and FIs not only have the opportunity to manage the negative impacts of banking activities but could also create value for both the organization and society. Nordic banks and FIs could for instance capitalize on the growing market of green and blue bonds, environmental and social pioneers and sustainability sector leaders.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

Nordic banks and FIs have included sustainability in their business strategies to some extent, but few have established quantitative targets

Aligning the sustainability strategy with the overall business strategy is key in order to integrate sustainability throughout the organization. All Nordic banks and FIs have somewhat included sustainability in their business strategy. 56% mention sustainability as a priority to the business strategy, whereas 11% mention sustainability in more general terms (see figure 2). 33% of the banks and FIs consider sustainability to be not only a strategic priority but also as a catalyst for reaching financial and non-financial targets in the core business.

89% of the organizations have sustainability strategies that are aligned with the business strategies, which signals that Boards and senior management increasingly believe that sustainability is material to their success.

Furthermore, 56% of the banks and FIs have translated their sustainability priorities into qualitative targets for the credit activities (see figure 3). Examples of such targets can be to support the shift to a low-carbon economy or to develop new offerings that have a clear emphasis on sustainability, such as blue bonds.

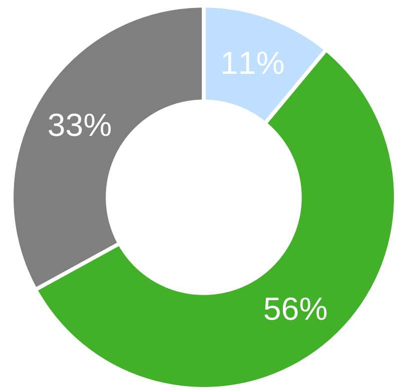
One way to make sustainability priorities tangible and concrete is to incorporate quantitative targets. Such targets would ensure that organizations act and enable them to be transparent about how fast they are moving towards their goals. Only 22% of the banks and FIs have established clear quantitative sustainability targets for their credit activities. One example is a target for the volume of issued green bonds, another example is a target for increasing the share of clients that are aware of sustainability requirements in lending.

Banks and FIs can further align their sustainability strategy with the business strategy by integrating sustainability in more aspects of their commercial activities. Moreover, banks and FIs can make their sustainability strategy more tangible by setting quantitative targets related to the credit activities. Banks and FIs can set and disclose targets on issuance of green and blue bonds, proportion of employees that have conducted E&S training, share of the lending portfolio that is allocated to renewable energy, environmental innovations and social entrepreneurs.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

Fig. 2

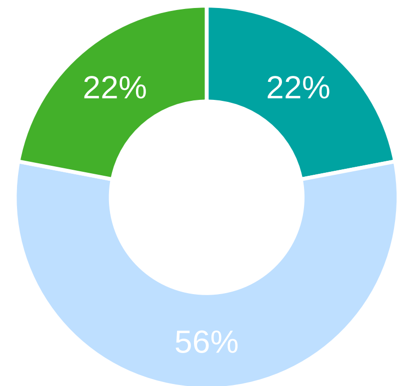
Level of alignment of sustainability strategy



- Not aligned with business strategy
- Weakly aligned with business strategy
- Aligned with business strategy
- Strongly aligned with business strategy

Fig. 3

Type of sustainability targets



- No sustainability targets
- Qualitative sustainability targets
- Both qualitative and quantitative sustainability targets

Accountability for sustainability is mostly owned at a high level in the organization

Having sustainability-related KPIs for credit activities is one way to spread accountability and responsibility for implementing sustainability strategies and reaching goals. Even though 78% of banks and FIs have set qualitative and/or quantitative sustainability targets (see figure 3), more than one third of the organizations have not yet formulated sustainability-related KPIs for their credit activities (figure 4).

At 44% of the banks and FIs, the KPIs are owned at a high level in the organization and the responsibility is normally shared between sustainability committees and the Board. This means that senior and middle management have no responsibility for KPIs connected to sustainability performance.

One way to thoroughly integrate sustainability in the lending process is to hold managers on different levels accountable for achieving sustainability targets. Accountability and ownership, including integration of E&S factors in incentive schemes are elements that contribute to create a robust E&S risk culture and stimulate the employee engagement.

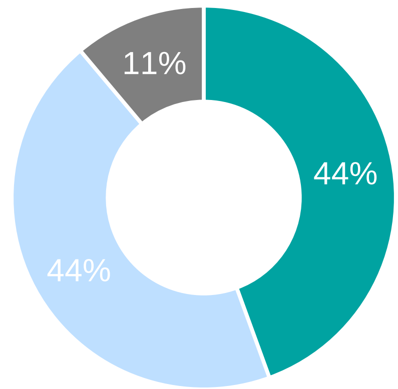
Only 11% of the banks and FIs have KPIs that actually trickle down to business division-level.

In order to spread accountability and responsibility across the organization the actors in the Nordic financial sector could include sustainability-related KPIs in performance scorecards across all levels. For instance, the group credit function could have a KPI on the share of credit given to the renewable energy sector or sustainable agriculture.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

Fig. 4

Integration of sustainability-related KPIs in credit activities and what levels



- No KPIs formulated
- KPIs at sustainability department-level and/or Board-level
- KPIs at sustainability department-level, Board-level and senior management business division-level
- KPIs at sustainability department-level, Board-level and senior and middle management at business division-level

Integration of E&S factors in capital allocation and budgeting processes is in its infancy

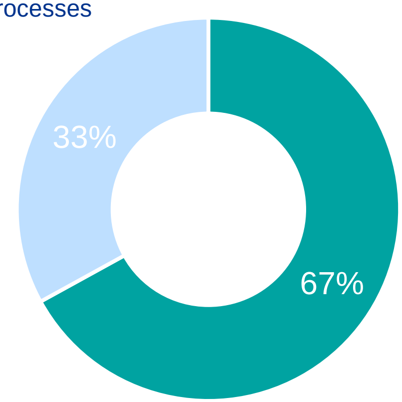
Capital allocation and budgeting is the set of decisions that a bank takes when it decides how to allocate its capital. Capital can be allocated into different assets which represent different levels of risk. Therefore, sustainability risks can be taken into account in the capital allocation process.

33% of the banks and FIs discuss sustainability aspects in their capital allocation process, for instance, by actively allocating capital in order to promote the transition to a low carbon economy or to promote responsible operations throughout the supply chain of clients (see figure 5).

67% of banks do not take sustainability matters into account in their budgeting and capital allocation processes.

Fig. 5

Level of integration of sustainability factors into capital allocation and budgeting processes

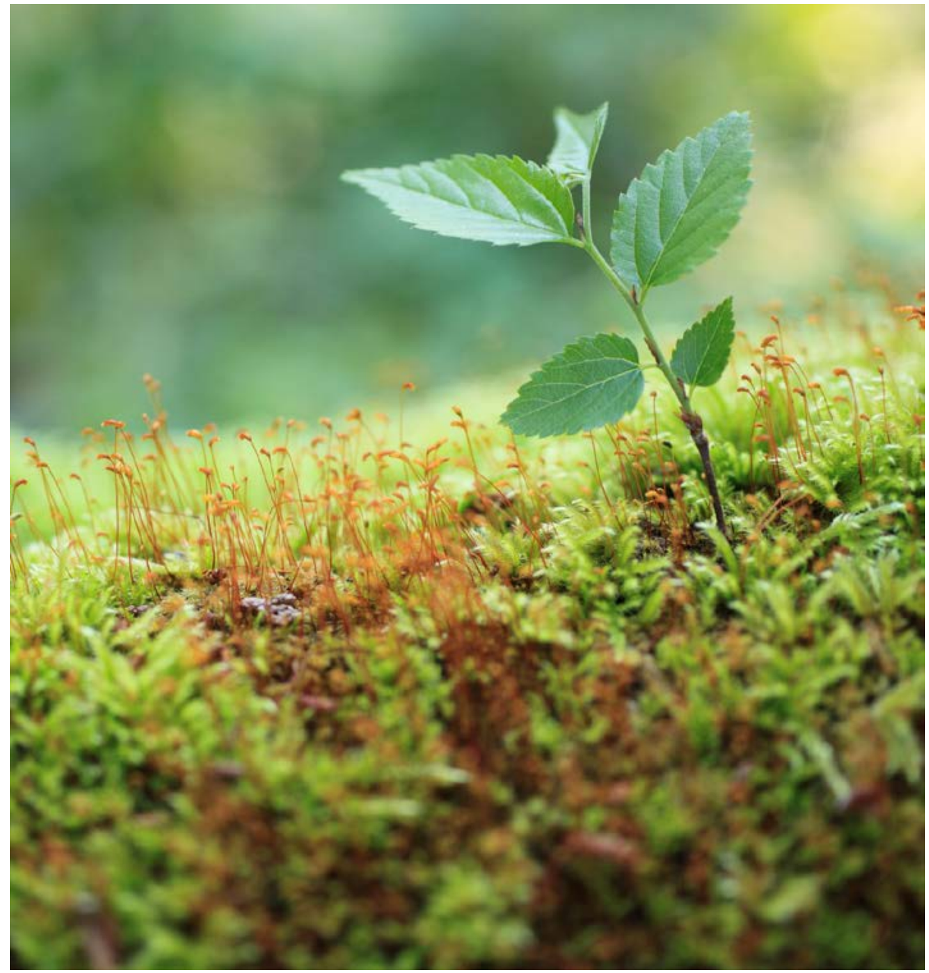


Sustainability factors not integrated

Sustainability factors partially integrated

Banks have the opportunity to be an agent of change, given their role in the allocation of capital and distribution of risk in society. By taking sustainability factors into account into the budget allocation process, by for example determining how much of the credit portfolio should be allocated to renewable energy, banks and FIs can shift financing towards long-term value creation for both the organization and society.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016



Good practices:

Sustainability strategy and targets

SBAB

Strategy to develop innovative product offerings with sustainability aspects

"SBAB's objectives are based on three focus areas within sustainable business: long-term profitability (sound finances), responsibility and transparency as creditor and employer and to finance sustainable housing that results in less environmental impact. SBAB's ambition is to develop sustainable offers in the retail banking as well as for corporate clients and tenant-associations. In 2015 SBAB started issuing green loans with advantageous interest rates for improvement of energy efficiency and in 2016 SBAB emitted a green bond. The green bond has a maturity of five years and SBAB will use the new capital to finance or refinance residential properties that meet a number of criteria on energy efficiency or that alternatively sit on some environmental certifications."

SBAB (2016), Green Loans Website, https://www.sbab.se/1/foretag__bostadsrattsforeningar/lana/lan_hos_sbab/grona_lan.html

SBAB (2016), Green Bonds Press Release,

https://www.sbab.se/1/om_sbab/investor_relations/sbab_icke_sakerstalld_upplaning/sbab_gron_obligation.html

Swedbank

Alignment with business strategy

"Swedbank's business strategy consists of four major areas: full services, customer focused offerings, low risk and cost efficiency which in turn relate to the banks four business activities: pay, save/invest, finance and procure. Swedbank's sustainability strategy overarches all four business areas. The bank explains in detail how sustainability contributes positively to each business area and presents sustainability related indicators for each one of them. Moreover, Swedbank is one of the only banks in the survey that reports on indicators for E&S integration in the credit process such as: number of business loans approved after sustainability analysis, total lending to renewable energy and number of credit cases escalated to the Group's Ethics and Sustainability Council."

Swedbank (2015), Annual Report

KPMG

Integration in CIB processes

Risk appetite statement (RAS)

Risk policy framework

Risk ratings to clients and transactions

E&S risk inclusion in risk appetite statement or risk limit framework in its early stages

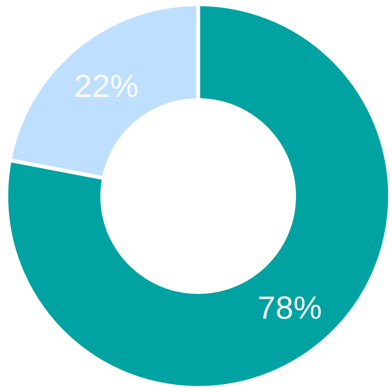
Integrating sustainability risks in the risk appetite statement is one way for banks and financial institutions to recognize non-financial risks as material to the business and furthermore integrate them in the overall risk management framework.

78% of the Nordic banks and financial institutions do not include E&S risks in the risk appetite statement or risk limits framework (see figure 6).

One of the banks and FIs integrates sustainability risk as an element of business risk in the risk framework. Furthermore, another financial institution describes sustainability risk as a separate risk in the risk profile statement and describes risk appetite metrics used to evaluate sustainability risks.

Fig. 6

Level of integration E&S factors in risk appetite statement or risk limits framework

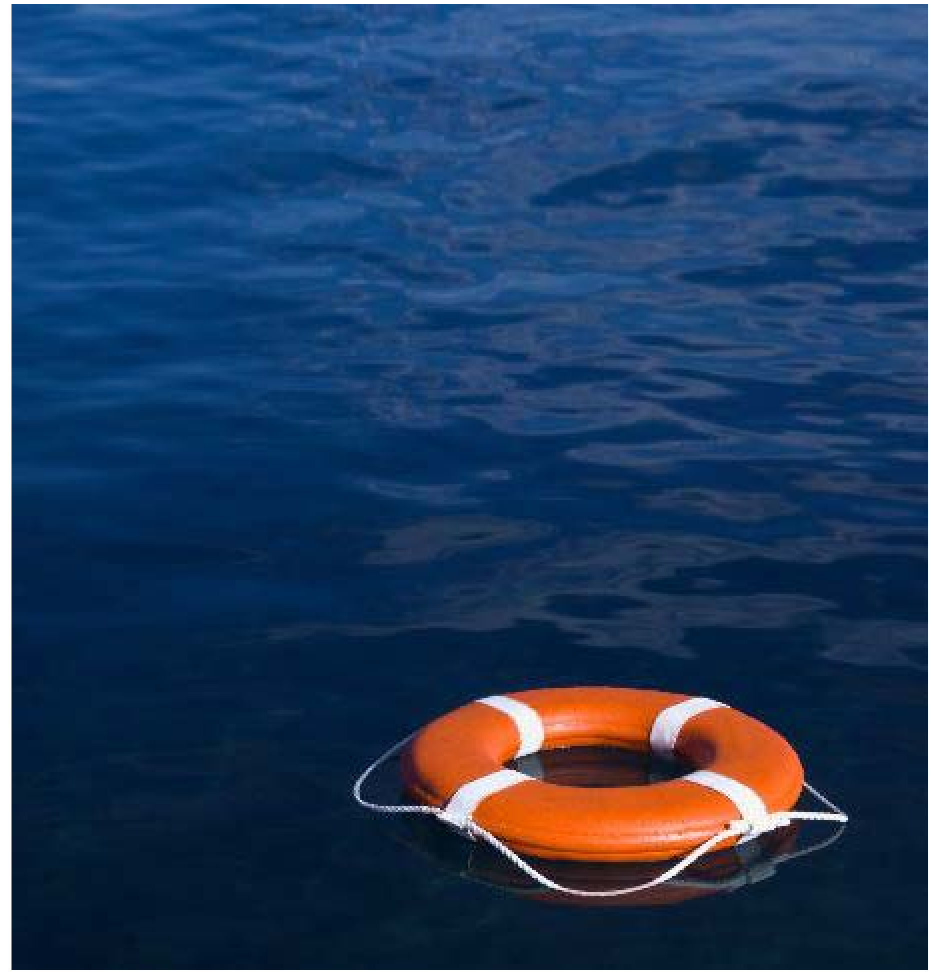


Not integrated

Yes, both environmental and social risks

In order to translate policy into practice, banks and FIs could integrate sustainability into their overall risk management framework and even articulate the level of E&S risks they are willing to accept.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016



Most institutions have sector or/and issue specific E&S policies for their credit banking activities

Apart from having sustainability issues integrated in the credit policy, banks and financial institutions have, to a varying extent, developed separate policies or statements for specific sectors or issues.

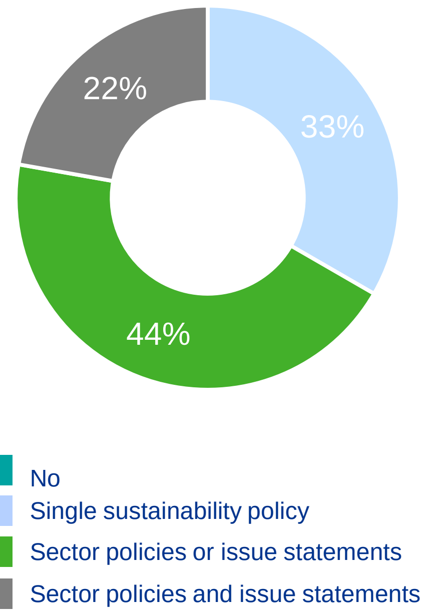
E&S risk policy frameworks mostly consist of sector specific guidelines for high risk industries such as maritime transport and the arms and defense industry and/or issue statements on overarching issues such as human rights and climate change.

44% of the Nordic banks and financial institutions have sector or issue specific E&S risk policies (see figure 7). The most common sectors mentioned in the risk policies are the arms and defense industry and coal, where the organizations for instance have restrictions on what companies they engage with.

Policies related to specific issues such as child labor, climate change or corruption vary in level of detail. Some policies are more general in character and refer to, for instance, the UN Global Compact. Only 22% of the banks and financial institutions have established both their own sector policies and detailed E&S issue specific policies.

Fig. 7

Type of E&S risk policy framework



Having E&S policies related to both specific sectors and issues can contribute to a more robust E&S risk assessment in the credit approval process. Only having a sector perspective could mean that cross sectorial E&S risks become excluded from analyses. For instance, fresh water or children's rights are issues that can impact the risk profile of companies from several sectors.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

Half of the Nordic banks and financial institutions do not assign transactions nor clients with E&S ratings

By assigning both clients and transactions with E&S ratings banks and FIs can have an oversight of the E&S risks in their loan portfolio. However, 56% of the Nordic banks and FIs do not have an E&S risk rating for transactions or clients in place (see figure 8).

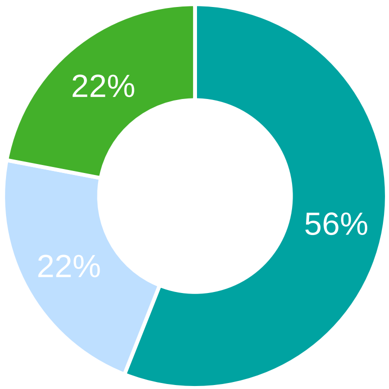
Assessing clients is normally the first step when approving credit and involves making sure that the client's business activities are in line with the organization's E&S risk policies. This activity can include assigning the client with a particular E&S risk classification.

Managing E&S risk on transaction level implies investigating whether specific transactions involve E&S risks. Transactions can also be assigned an E&S risk rate, for instance, based on the country where the company and/or projects are based, the industry, or even particular characteristics of the project.

22% of the Nordic banks and financial institutions assess and rate either clients or transactions based on E&S risks. Only 22% of the financial institutions assess and rate both clients and transactions.

Fig. 8

Assignment of E&S classifications to clients or transaction



- No E&S rating for transactions or clients
- Internal E&S rating for transactions or clients
- Internal E&S rating for both transactions and clients

By assigning transactions and clients high, medium and low E&S risk ratings, banks and FIs can monitor risks on portfolio level by measuring exposure to the different E&S risk categories and potentially prevent losses. Furthermore, by mapping clients according to their E&S performance banks and FIs can support them in improving. Such activities would reduce E&S risks for the bank/FI and the client, as well as it would increase societal value creation.

Source: KPMG analysis "Ready or Not – Nordic commercial and investment banking sector", preliminary results July 2016

Good practices:

E&S policies

SEB

Detailed sector policies and position statements

“SEB discloses its position on three specific sustainability issues – climate change, child labour and access to fresh water – in detailed issue statements and also discloses policies for six industry sectors – arms and defense, forestry, fossil fuels, mining and metals, renewable energy and shipping.

These statements and policies establish the fundamentals of the bank’s sustainability strategy within lending and guides pro-active and future-oriented dialogue on key issues with clients. The sector policies and position statements are included in the regular business review as well as in the annual credit review for large and medium-sized corporations since 2011. Furthermore, sustainability risks are integrated in SEB’s risk management framework as a part of credit risk.”

SEB (2016), Sustainable Finance Website
http://sebgroup.com/about-seb/sustainability/our-priorities/sustainable-finance

Operating Model

Tools for risk assessment

Employee training

Portfolio level monitoring

Client performance measurement

Risk escalation process

Tools are generally in place to assess E&S risk but few banks and FIs have IT systems and intelligent databases

Tools for conducting E&S risk assessment in client and transaction approval processes vary significantly between basic checklists to advanced IT systems. A checklist is the base of an E&S risk assessment where questions are answered often with a positive/negative approach (yes/no) regarding the client's business, areas where it and its suppliers operate, key issues relating to for example the principles in the UN Global Compact, the governance model of the business etc resulting in a fairly high level, qualitative E&S risk assessment. 33% of the Nordic banks and financial institutions apply such basic tools (see figure 9).

44% of the Nordic banks and financial institutions use intermediate E&S screening tools. This implies that in the credit approval process, they use comprehensive checklists or excel based tools that target also risks related to specific sectors and key issues (such as climate, water, childrens' rights etc), which often base on the organization's own E&S policies.

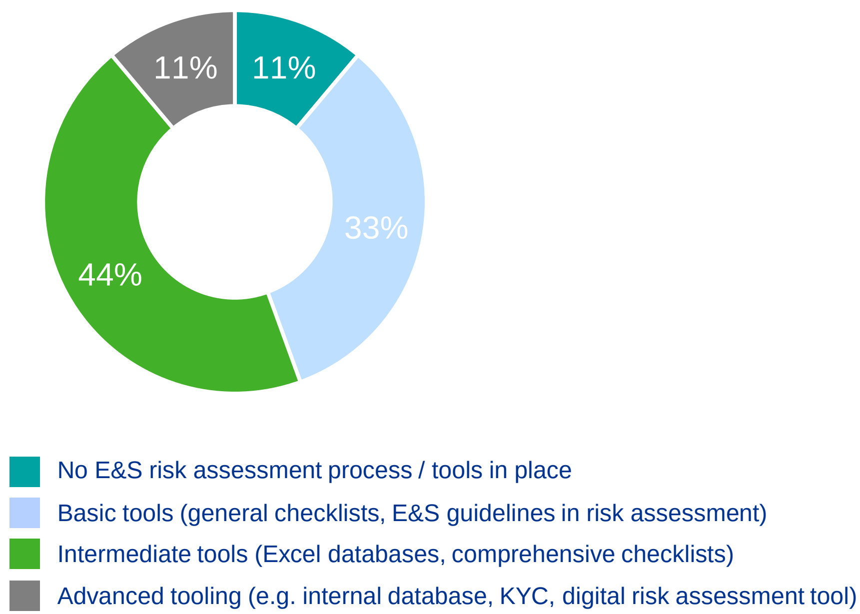
Taking it one step further, advanced tooling can be used for E&S risk assessment. IT systems can screen clients against know your customer databases, sustainability company profiles, country and sector analyses and provide a thorough E&S risk assessment. One of the Nordic banks and FIs currently has such a system in place.

IT systems and intelligent databases provide fast and systematic E&S risk assessment, which enhances banks' and FIs' abilities to identify risks and supports robust credit decisions by the group credit function and risk teams. Furthermore IT systems and databases can also provide data analytics which allow banks and FIs to gain oversight of the E&S risk exposure in their credit portfolio.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

Fig. 9

Type of tooling for E&S risk assessment in client or transaction approval



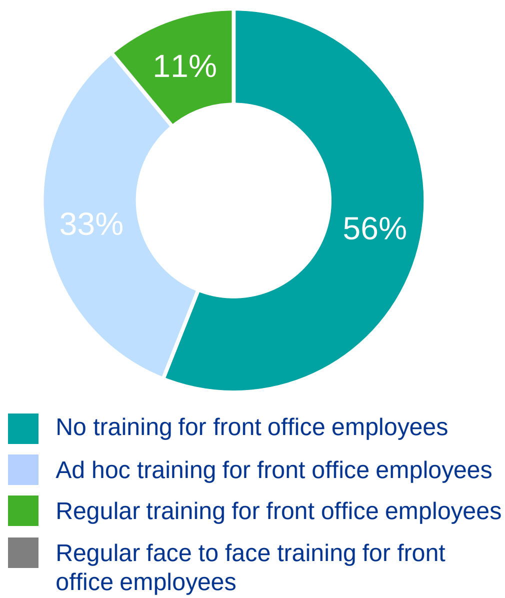
E&S training is provided for front office employees on ad hoc basis, but regular training is rare in the sector

Raising awareness and providing training on E&S risk management at all levels in the organization, including front office, is important when integrating E&S risks in credit processes. Front office employees meet the clients and are normally responsible for the initial risk assessment, hence, it is important that they have E&S risk knowledge, not only to do the assessment but also to be able to discuss the risks and opportunities with the client. However, 56% of the Nordic banks and financial institutions do not provide E&S risk training for front office employees (see figure 10).

33% of banks and FIs provide ad hoc training for front office employees, for example, when the sustainability policy is updated or when new tools are introduced. Only 11% of the banks and FIs give regular training on E&S risks to their front office employees.

Fig. 10

Level of E&S capacity and knowledge among front office employees



E-learning and videos are two options to raise awareness of E&S risks among front office employees. They are low-cost options but may not be the most effective ways to engage employees and enhance their E&S knowledge. Instead, regular face-to-face training such as workshops, dilemma discussions etc can be a more effective approach to build a solid E&S risk culture in the organization.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

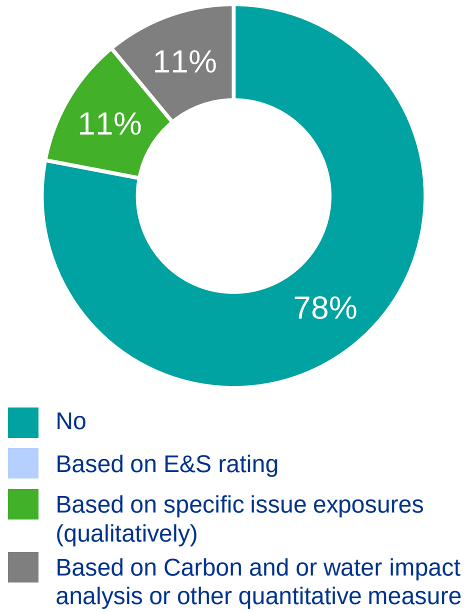
Few financial institutions monitor E&S risks in the credit portfolio

On client and transaction level, most banks and financial institutions manage E&S risk in some aspects. However, 78% of the Nordic banks and financial institutions do not monitor E&S risk systematically on portfolio level (see figure 11).

Monitoring E&S risk at portfolio level, and not only on client or transaction level, is important in order to manage cross-sectorial risks and to avoid concentration of risk exposure to certain E&S issues. 22% of the banks and FIs do measure specific issue exposures of their loan portfolio where one example is exposure to risk in the energy sector.

Fig. 11

Monitoring E&S risks at credit portfolio level



Monitoring E&S risk in credit portfolios can be important if an organization wants to mitigate the environmental and social risk exposure of current loan portfolios. Even if a thorough E&S analysis has been conducted on client and transaction level, risk exposure can change over time and across sectors, why monitoring the portfolio on a regular basis is a proactive way to follow-up on these risks.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

KPMG

Measures are being taken to improve clients E&S performance, but not on a regular basis

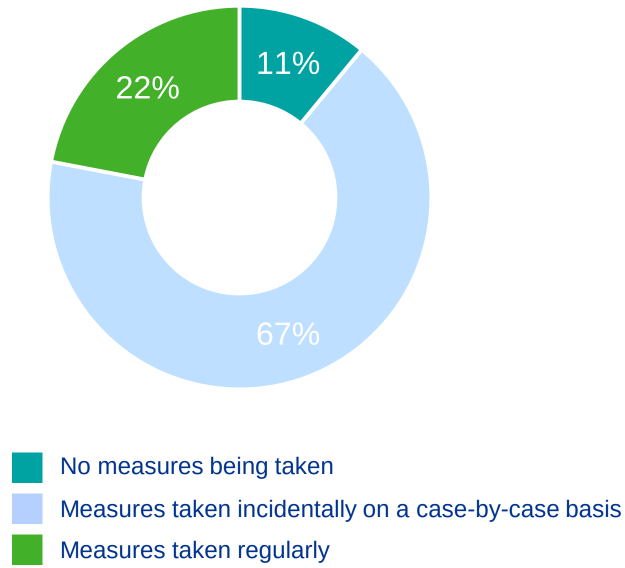
One approach towards mitigating E&S risk exposure in the credit portfolio is to follow-up on the E&S performance of existing clients and take measures to improve their performance. Most banks and FIs generally regard their client and transaction approval process as the key point of leverage to influence the E&S performance of clients.

67% of Nordic banks and financial institutions take E&S measures incidentally on a case-by-case basis to reduce the E&S risk exposure of their credit portfolios by improving clients' sustainability performance (see figure 12). In the case of one bank, when a client does not comply to the banks' E&S policies, the client is required to rectify or otherwise the loan might be rejected.

Only 22% of the Nordic banks and FIs, regularly follow-up their clients' E&S performance and take measures in order to improve it, also after the approval process. These organizations follow up loans at least once per year. Among other criterion, the follow-up includes reviewing sustainability risks.

Fig. 12

Measures taken to improve the E&S performance of existing clients



Influencing clients' E&S performance should not only be done during the credit approval process. By regularly taking E&S measures, banks and FIs are in a great position to continuously improve the E&S performance of clients. That would reduce E&S risks for the bank or FI and client, as well as increase societal value creation over time.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

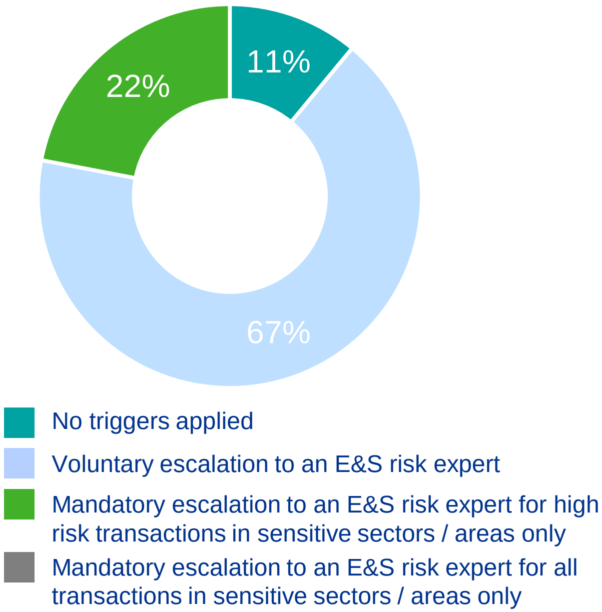
E&S risk escalation processes are in place, but they are not systematic

Another approach towards mitigating E&S risk exposure is to have a robust escalation process. If E&S risks are identified by front office employees in the credit approval process, such cases may be escalated to E&S risk experts and/or centralized risk functions for a more thorough analysis. Nevertheless, 11% of the Nordic banks and financial institutions do not have a E&S risk escalation processes in place and in 67% of the institutions, the decision to escalate is voluntary (see figure 15).

22% of the organizations have a systematic approach where transactions regarded to have particular high E&S risk have mandatory escalation to an E&S risk expert. For instance, for one of the institutions, escalation to an E&S risk expert is mandatory if the transaction relates to a high risk country, counterparty or business sector.

Fig. 13

Type of E&S risk escalation process



Mandatory escalation processes can be advantageous for high risk transactions in sensitive sectors. By involving E&S experts in the credit assessment, the decision can have a more robust foundation. Moreover, mandatory escalation provides E&S experts and centralized risk functions with an oversight of the organization's risk exposure.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

Good practices:

E&S assessment tools

Nordea

Comprehensive ESG assessment

"Nordea has two tools to assess environmental, social and governance risks in lending: the environmental risk assessment tool (ERAT) and the social and political risk assessment tool (SPRAT). These tools are an integrated part of Nordea's regular credit process and usage is mandatory for all corporate credit above a certain threshold. The tools are used in parallel, but the approach taken depends on which customer Nordea is assessing.

The ERAT is composed of two comprehensive checklists: the "Risk industry assessment checklist", which assesses the environmental risk in the industry the company operates in, and the "Environmental risk checklist", which assesses risks specific to the customer's business. The overall findings of the ERAT process result in a total environmental risk profile.

SPRAT is a three-step process. First, a country risk profile is produced for the country in which the customer or project is located. Then, depending on the country risk, an industry risk is established. When these two findings are combined and compared, this determines if further actions should be taken in a third phase. In the end, an overall social and political risk profile is created."

Nordea (2015), Sustainability Report
Nordea (2009), Corporate Social Responsibility Report
Nordea (2007), UN Global Compact Communication on Progress

Svensk Exportkredit (SEK)

Advanced tools for credit analysis and climate stress tests

"To analyze credit risks, SEK has an IT system which integrates both know-your-customer (KYC) and corporate social responsibility databases. SEK's credit analysis is done through three pillars: know-your-customer (e.g. ownership, structure, sanction lists, origin of the assets), credit risk (e.g. country risk, industry risk, operational risk) and sustainability risks (e.g. corruptions risks, human rights abuses, tax transparency). Furthermore, credit analysts conduct a yearly follow-up which takes into account all of these pillars and SEK conducts stress tests on their entire credit portfolio. The test examines how climate related risks and different scenarios would affect the capital situation in the portfolio."

SEK (2015), Annual Report and Interview

Reporting and disclosure

Disclosure of risk policies

Breakdown loan portfolio

Integration into Pillar 3

Transparency of E&S risk policies related to the credit process is limited

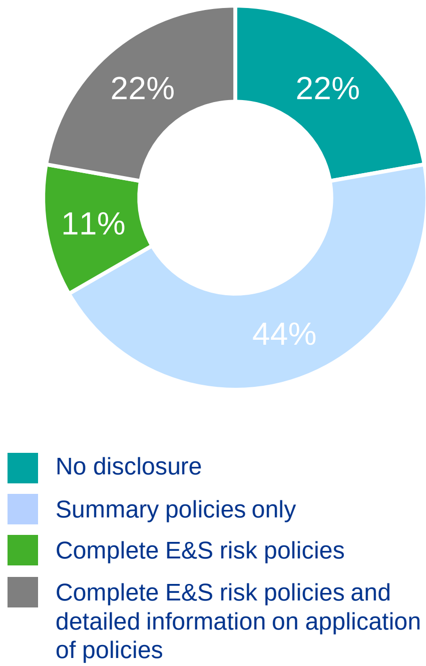
Relevant information about banks' and financial institutions' risk exposures, measures and management should be disclosed to stakeholders in order for them to assess long-term profitability and soundness. Since E&S factors can impact risk profile and reputation, banks and financial institutions should disclose relevant information about their E&S risks and E&S risk management.

One aspect of this is the extent to which organizations make public their E&S risk policies and the application of these. Nevertheless, 22% of the Nordic banks and financial institutions do not disclose E&S risk policies at all and 44% of the institutions only publish summaries of the policies (see figure 14).

33% of the financial institutions provide stakeholders with a complete overview of their E&S risk policies and 22% also disclose information on how these E&S risk policies are applied.

Fig. 14

Level of disclosure E&S risk policies



E&S risk policies should be disclosed in order for stakeholders, such as financial investors and clients, to be able to assess the organization's position towards environmental and social risks. Not only is it important to describe the risk policies in detail, but also to disclose how these policies translate into practice. This could for instance imply descriptions of actions taken when clients do not comply to E&S policies.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

Most banks disclose their loan portfolio, but further details about exposure to sensitive sectors could be added

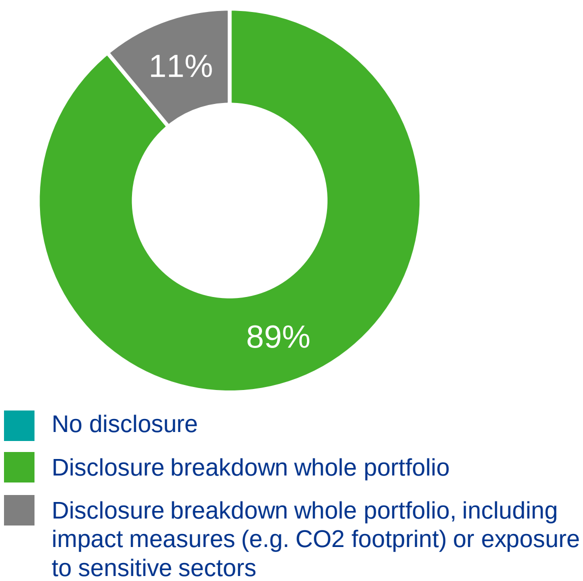
Another aspect of providing information about E&S risks and management is to disclose breakdowns of the loan portfolio. This would enable stakeholders to get an oversight of the E&S risks of loan portfolios.

All the Nordic banks and financial institutions disclose breakdowns of their loan portfolio, for instance by sector or region. The reason for the high level of disclosure in the Nordic countries is that Swedish banks have regulatory obligations to disclose such information.

One of the banks goes beyond breakdowns by sector or region and disclose more specific E&S-related breakdowns. This bank also provides a breakdown of its energy related credit portfolio and discusses related risks (see figure 15).

Fig. 15

Level of disclosure breakdown loan portfolio



Disclosing the loan portfolio's exposure to E&S sensitive sectors or its impact on the environment in terms of for instance CO_2 footprint allows stakeholders to assess the organization's soundness and long-term profitability.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

E&S factors can be further integrated into Pillar 3 reporting

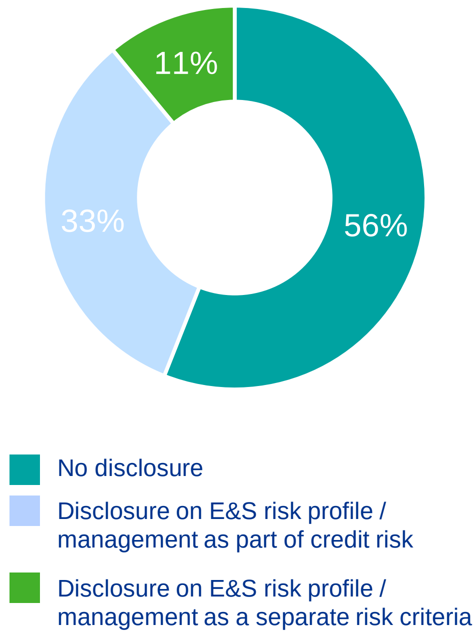
Disclosing information about E&S risk profile and management in the Pillar 3 report is another way to help stakeholders create a better understanding of the organization's overall risk profile. The Pillar 3 report is a sector standard that conveys information about banks' risks, risk measurements and risk management. Including E&S risks in the Pillar 3 report places E&S risks on equal terms with other risk types and facilitates comparability.

56% of the Nordic banks and financial institutions do not use the Pillar 3 reports to disclose their E&S risk profile or management. 33% of the institutions do include E&S risk in the Pillar 3, but only as part of the credit risk section.

Only 11% of the institutions do include E&S risk profile or risk management as a separate risk category in the Pillar 3 report (see figure 16).

Fig. 16

Level of disclosure E&S risk profile and management in Pillar 3 report



By publishing their E&S risk profile and management in the Pillar 3 report, banks and financial institutions can communicate their E&S risk framework to customers, investors and stakeholders. Furthermore, by including sustainability related risks as a separate risk category, they place E&S risks on equal terms with other risk types which facilitates comparability.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016

Good practices:

Reporting and disclosure

SEB

Energy portfolio

"SEB discloses an issue statement affirming that the bank will not enter into new business relations with companies with major businesses in coal mining, nor provide finance for new coal power plants, unless the financing relates to shifting technology that substantially reduces greenhouse gas emissions. In line with this position statement, SEB's energy related credit portfolio is disclosed in order to let customers and investors follow its gradual shift towards renewables and away from fossil fuels. The portfolio, which is monitored on a regular basis from both a business and risk perspective, represents about 6 per cent of the total credit portfolio, or about SEK 130 (125) billion. "

SEB (2015), Sustainability Report
SEB (2016), Sustainable Finance Website
http://sebgroup.com/about-seb/sustainability/our-priorities/sustainable-finance

Svensk Exportkredit (SEK)

Risk Profile for Sustainability Risks

"SEK describes sustainability risk as a separate risk category in its risk profile statement. It is defined as directly or indirectly, negatively affecting externalities within the areas of money laundering, environmental considerations, anticorruption, human rights, labor conditions or business ethics. Moreover SEK presents two risk appetite metrics: SEK measures lending in accordance with international guidelines and monitors executed lending transactions."

Source: SEK (2015), Pillar 3 Report

Part Two: Comparing Nordic and European results

Including results from the four largest banks based in the Nordics (Handelsbanken, Nordea, SEB, Swedbank) and all of the banks included in the European survey

KPMG

Strategic Framework

Comparing Nordic and European results

Sustainability strategy

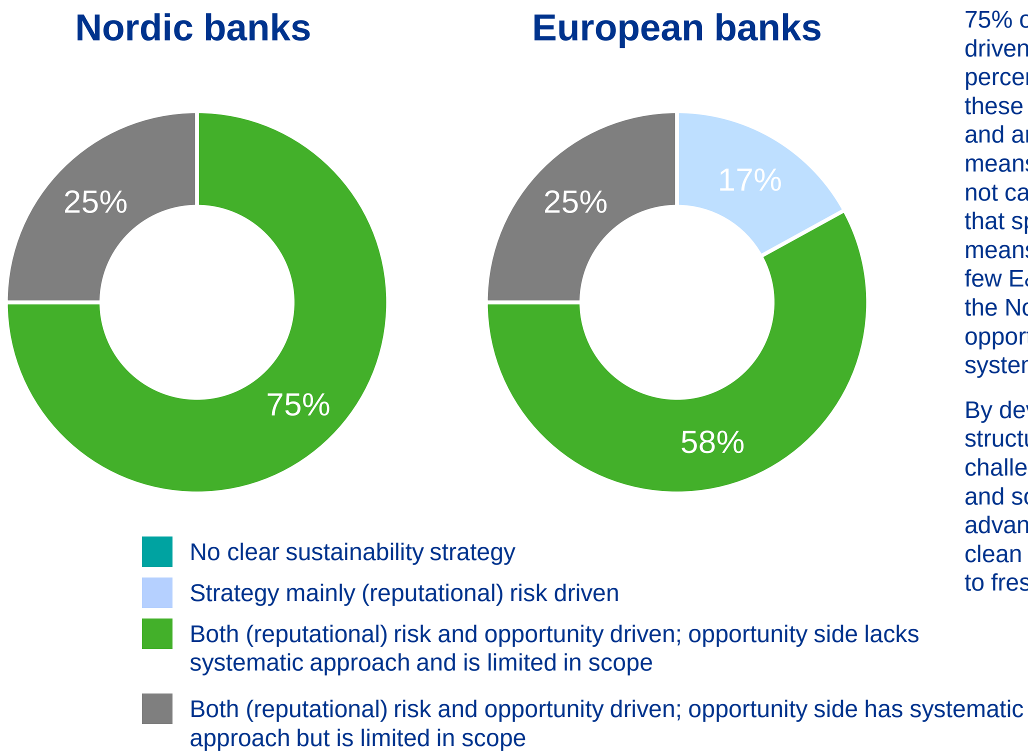
Targets

KPIs

Nordic banks have somewhat more opportunity driven sustainability strategies, however systematic approaches are rare among all banks

Fig. 17

Type of sustainability strategy



75% of the universal Nordic banks have risk and opportunity driven sustainability strategies, and the corresponding percentage for the European based banks is 58%. However, these sustainability strategies lack systematic approaches and are rather limited in scope on the opportunity-side. That means, for instance, that sustainability-related activities are not carried out on all levels in the organization, but rather that specific E&S experts work with these questions. It also means that the opportunities seized are limited in scope to a few E&S issues, such as renewable energy. Among both the Nordic and European based banks, 25% have opportunity driven sustainability strategies that also have a systematic approach.

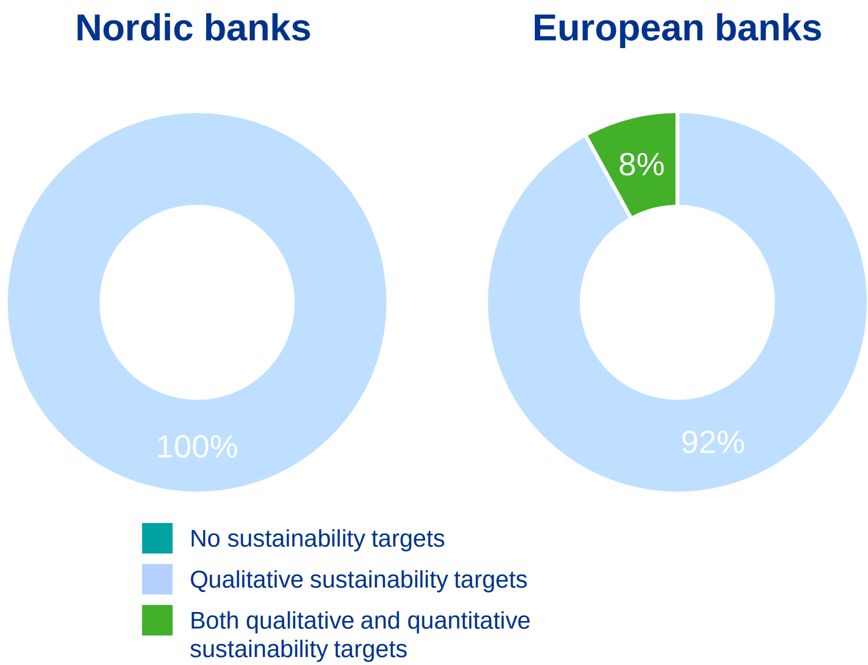
By developing strategies to systematically provide financing structures aimed at solving various environmental and social challenges, banks can create value for both the organization and society at large. Banks can, for instance, provide advantageous financing solutions to sustainable agriculture, clean energy production and value-creating activities related to fresh water.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016 and "Ready or Not – An assessment of sustainability integration in the European banking sector

Both Nordic and European based banks have qualitative sustainability targets, but measurable targets are lacking

Fig. 18

Type of sustainability targets



All four Nordic banks and 92% of the European based banks have qualitative sustainability targets in place. Targets are a fundamental piece of a credible sustainability strategy. One typical qualitative E&S target is to develop new lending offers that include sustainability aspects or to increase financing of renewable energy.

Quantitative E&S targets allow the bank to measure its progress more clearly and can make one's sustainability strategy and commitments more concrete. Nevertheless, only 8% of the European based banks have both qualitative and quantitative sustainability targets related to their commercial banking activities, whereas none of the Nordic banks have.

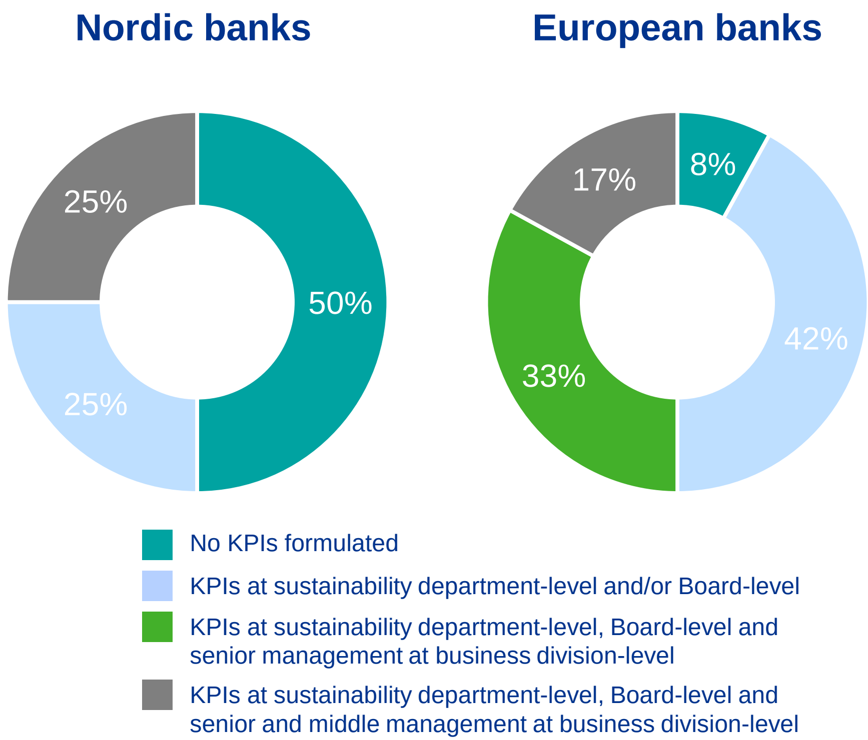
Quantitative targets could, for instance, be related to the sustainability of the loan portfolio. Banks could have targets on the proportion of loans given to companies that have clear sustainability strategies or are active in particularly impactful sectors. Banks can also have quantitative targets related to, for instance, the percentage of employees that have conducted E&S risk training.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016 and "Ready or Not – An assessment of sustainability integration in the European banking sector

It is more common among European banks to have E&S-related KPIs for their credit activities, but all banks could delegate KPIs to more levels

Fig. 19

Integration of sustainability-related KPIs in credit activities and what levels



92% of the European banks have formulated E&S-related KPIs for their credit activities, but on different levels in the organization. In comparison, only half of the largest Nordic banks have incorporated E&S-related KPIs.

Similar to having clear targets, having KPIs is important in order to monitor strategy execution and to measure results. Although all Nordic banks and almost all European banks have sustainability strategies, KPIs related to sustainability are not formulated to the same extent.

Furthermore, KPIs that are incorporated not only on board-level but also on business division-level can help spread responsibility for strategy execution within the organization. Incorporating E&S related KPIs on more levels in the bank is therefore one way to anchor the sustainability strategy throughout the organization.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016 and "Ready or Not – An assessment of sustainability integration in the European banking sector

KPMG

Integration in CIB processes

Comparing Nordic and European results

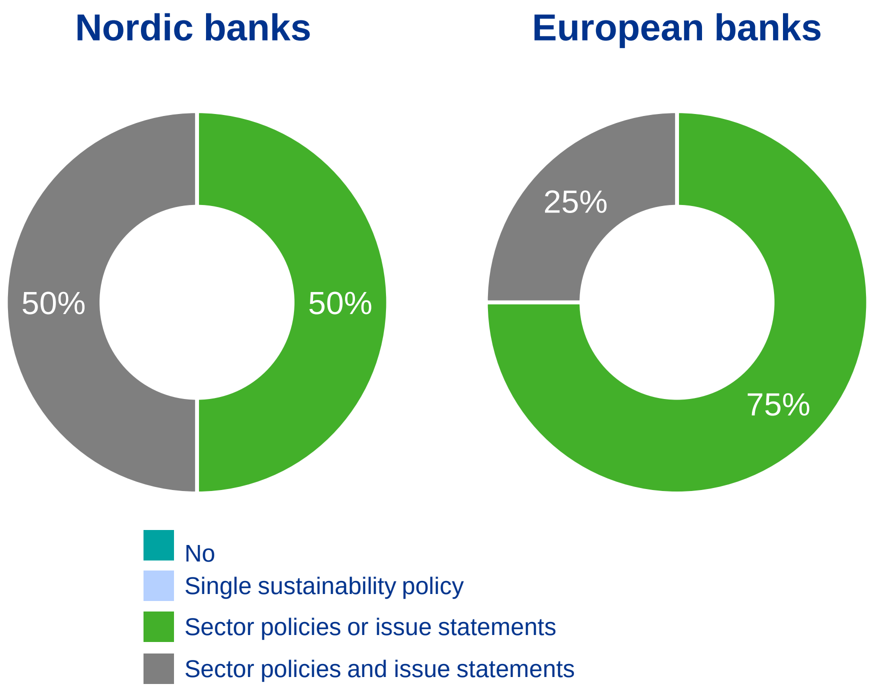
Risk policy framework

Risk ratings to clients and transactions

The Nordic banks have more detailed E&S risk policy frameworks than the European based banks

Fig. 20

Type E&S risk policy framework



All of the European banks and the universal Nordic banks have moved away from having one single sustainability policy to having more detailed E&S policy frameworks for their credit activities. 50% of the Nordic banks and 75% of the European banks have either E&S policies related to specific sectors or issues. Most commonly, the banks have sector guidelines for sensitive industries such as the coal or arms industry.

Moreover, 50% of the Nordic banks and 25% of the European banks both have sector policies and policies for specific E&S issues. These can include position statements on issues such as climate change and abuse of human rights.

Having both sector and issue statements can be useful for both internal and external matters. Policies guide employees when doing risk assessments of clients and transactions, hence having detailed policies is one way to manage and mitigate E&S risk exposure. From an external point of view, policies indicate to stakeholders what E&S positions the bank holds.

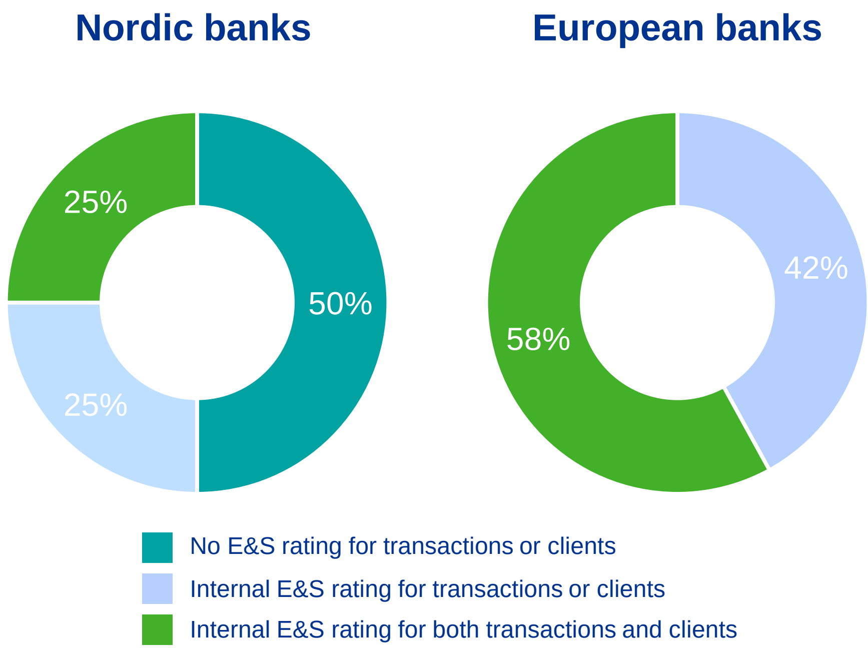
Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016 and "Ready or Not – An assessment of sustainability integration in the European banking sector

Comparing the result from the four Nordic universal banks with the European result

It is more usual among the European banks to assign clients and transactions with E&S ratings

Fig. 21

Assignment of E&S classifications to clients or transaction



In the current state, 50% of the universal Nordic banks do not assign clients or transactions with E&S ratings. By comparison, all of the European banks do. Furthermore, only 25% of the Nordic banks assign E&S rating to both clients and transactions while 58% of the European based banks do.

E&S risk ratings in client or transaction approval processes might contribute to more thorough assessment if the credit decision not only implies an approval or rejection, but also a rating.

Furthermore, E&S ratings may enable portfolio level risk management as banks more easily can monitor their exposure to different E&S risk categories based on the different rankings.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016 and "Ready or Not – An assessment of sustainability integration in the European banking sector

KPMG

Operating model

Comparing Nordic and European results

Portfolio level monitoring

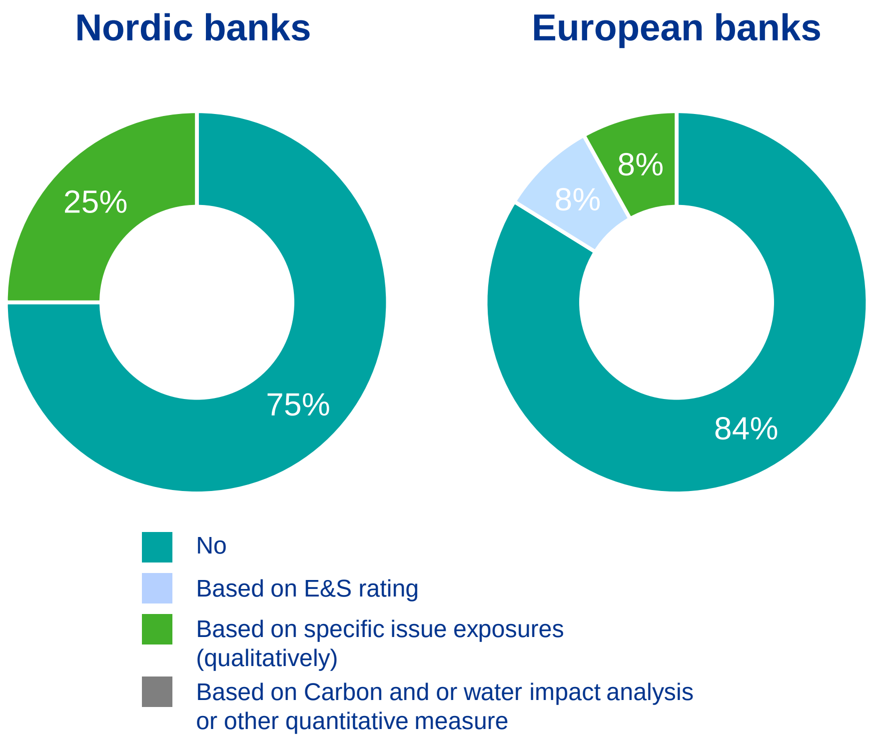
Client performance measurement

Comparing the result from the four Nordic universal banks with the European result

The Nordic and European based banks could monitor E&S risks in their loan portfolios to a higher extent

Fig. 22

Monitoring E&S risks at credit portfolio level



Only one of the Nordic banks and two of the European banks monitor E&S risks on portfolio level. The three banks that do so have a qualitative assessment based on the exposure to sensitive issues such as carbon intensive industries or map clients according to E&S performance and proactively provide financing to those clients that make a positive contribution to climate change. None of the banks measure risks based on quantitative measures such as indirect CO_2 emissions or water consumption in the portfolio.

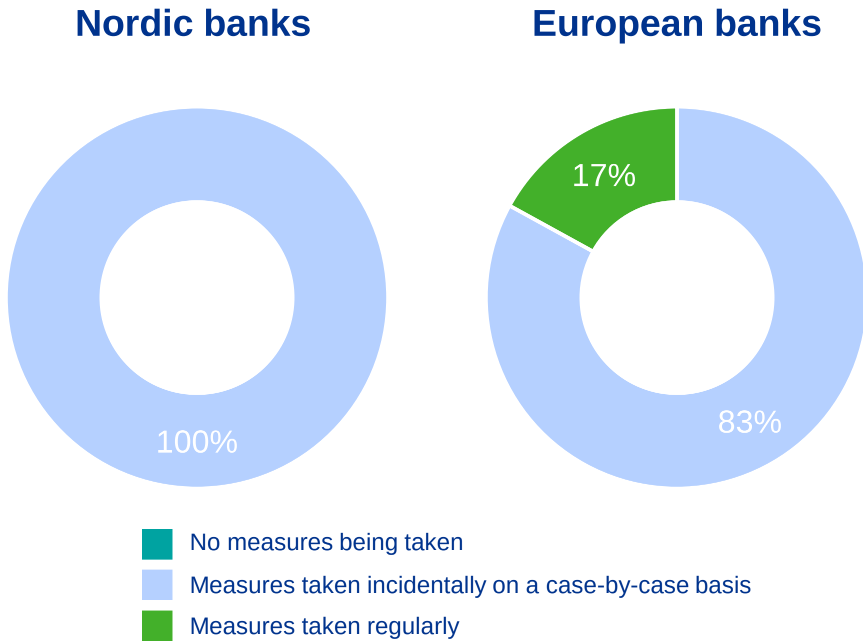
Even if thorough E&S assessments are conducted on client and transaction level, risk exposure can change over time. Besides, cross-sector issues will represent different exposure on portfolio level than on individual client or transaction level. Monitoring the loan portfolio on a regular basis allows the bank to manage exposure to issue related risks (e.g. water scarcity, climate change) and proactively engage clients in sensitive sectors to reduce risk on a portfolio level.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016 and "Ready or Not – An assessment of sustainability integration in the European banking sector

The European banks take measures to improve clients' E&S performance more regularly, however this is an area of improvement for most banks

Fig. 23

Measures taken to improve the E&S performance of existing clients



All banks take measures to improve the E&S performance of clients in case of non-compliance to the banks' E&S policies during the approval process.

Yet, only 17% of the European banks and none of the banks in the Nordics do so on a regular basis after the approval process.

By regularly monitoring and actively engaging with clients, banks can monitor and mitigate their E&S risk exposure and challenge clients to improve on E&S indicators.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016 and "Ready or Not – An assessment of sustainability integration in the European banking sector

Reporting and disclosure

Comparing Nordic and European results

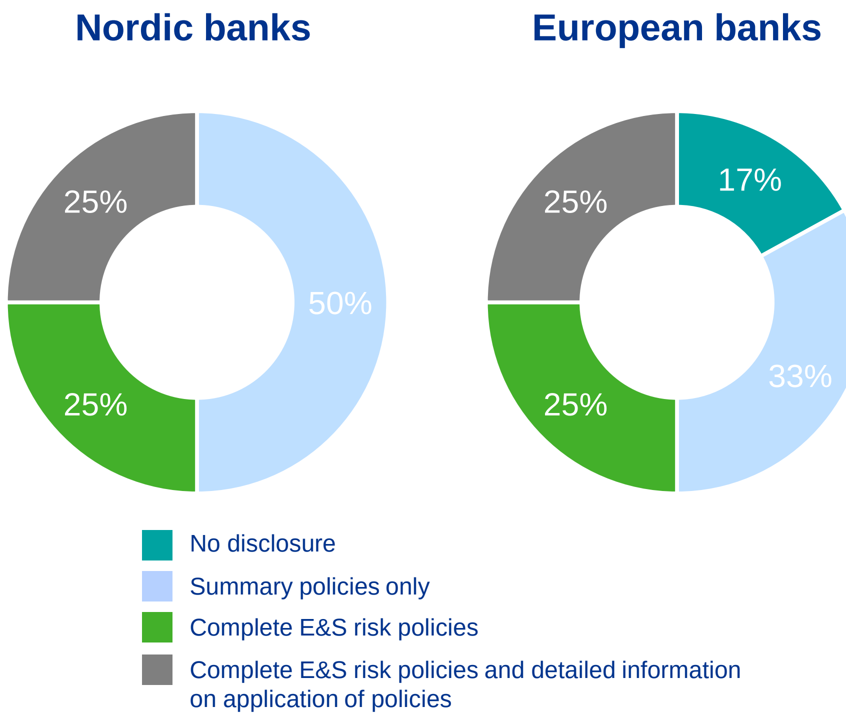
Disclosure of risk policies

Integration into Pillar 3

Nordic banks disclose their E&S policies to a higher extent than the European based banks, but most banks could provide more details

Fig. 24

Level of disclosure E&S risk policies



All four Nordic banks make their sustainability policies publicly available to some extent, while two of the European banks do not disclose their E&S policies.

On the other hand, 50% of both the European and Nordic banks disclose detailed E&S risk policies which include sector guidelines (e.g. maritime transport, coal, arms and defense) and position statements on several issues (e.g. climate change, child labor).

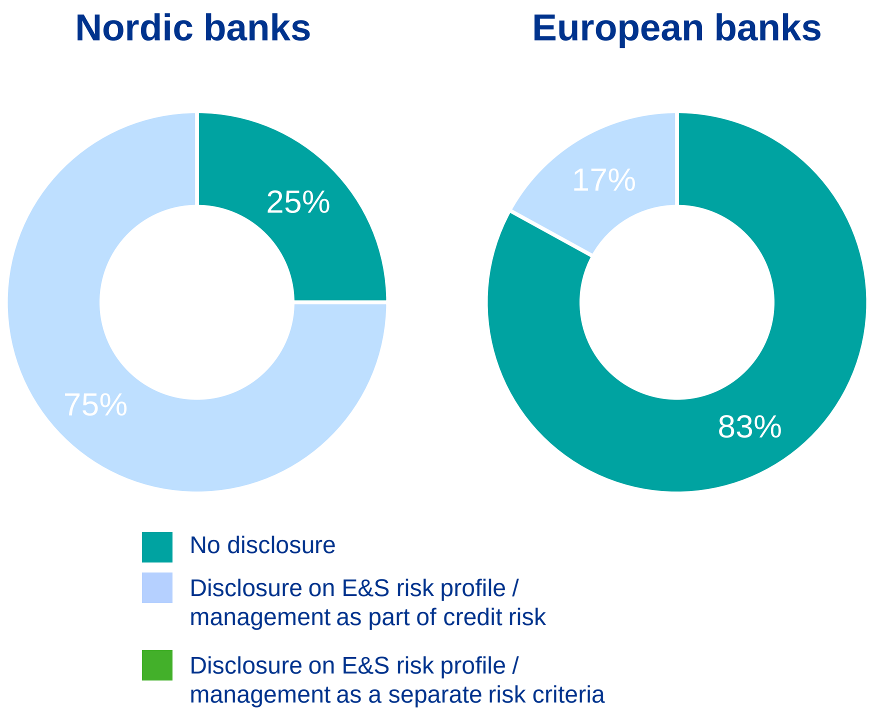
Finally, only 25% of both the European and Nordic banks also describe how they apply their E&S policies in detail, for example by describing how they report non-compliance to other authorities, how they escalate E&S issues within the organization and what companies have been excluded from the client pool.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016 and "Ready or Not – An assessment of sustainability integration in the European banking sector

It is more common among the Nordic banks to integrate E&S factors in the Pillar 3 report, but explicit disclosure of sustainability risks is lacking for most

Fig. 25

Level of disclosure E&S risk profile and management in Pillar 3 report



The Pillar 3 report is an international sector standard that conveys information about banks' risks, risk measurements and risk management. Including sustainability risks in the Pillar 3 report is one way for the banks to communicate externally that they integrate E&S risks in their usual risk management process. Three of the four universal Nordic banks disclose information about E&S risk management in their Pillar 3 report and only two out of twelve European banks do the same.

Most commonly sustainability risks are described under credit risk or as a reputational risk associated with the business risk, and not as an independent risk category. Categorizing sustainability risk as a separate risk category in the bank's risk profile can enhance the credibility of the bank's sustainability strategy as it puts non-financial risks in equal terms with financial risk and allows for comparison.

Source: "Ready or Not – Nordic commercial and investment banking sector", KPMG 2016 and "Ready or Not – An assessment of sustainability integration in the European banking sector

Appendix

Criteria (1/2)

1. Strategic framework
Type of sustainability strategy (reputational based vs opportunity based)
Level of alignment of the sustainability strategy with the business strategy
Type of sustainability targets
Integration of sustainability-related KPIs and at what levels
Supervision of sustainability targets
Level of integration of sustainability factors into capital allocation and budgeting processes

2. Integration into commercial and investment banking process
Level of integration of E&S factors in bank-wide (annual) risk identification and assessment process
Level of integration of E&S factors in Risk Appetite Statement or risk limits framework
Type of E&S risk policy framework
Assignment of E&S classification to clients / transactions and integration in credit process
Frequency of non-compliance cases as result of E&S assessment in clients / transaction approval process

Criteria (2/2)

3. Operating model
Type of governance structure of the E&S risk identification process
Type of tooling for E&S risk assessment in client / transactions approval process
Monitoring E&S risks at portfolio level
Measures taken to improve the E&S performance of existing clients in the portfolio
Type of E&S escalation processes
Responsibility for oversight of E&S risk

4. Reporting and disclosure
Level of disclosure of E&S risk policies
Level of disclosure of the breakdown of the loan portfolio
Level of disclosure of E&S risk profile and management in Pillar 3 report

Contacts at KPMG in connection with this report

Helena Mueller

Sustainability Advisory Lead

M: +46 733 272 254

E: helena.mueller@kpmg.se

Tomás Vasconcelos

Associate, Sustainability Advisory

M: +46 709 529 561

E:tomas.vasconcelos@kpmg.se

Authors of and contributors to the report:

Helena Mueller, Sustainability Advisory Lead

Johan Giertz, Head of Financial Risk Management

Jan Hedqvist, Director Financial Risk Management

Erik Wedershoven, Manager Sustainability Advisory

Tomás Vasconcelos, Associate Sustainability Advisory

Caroline Kolmodin Palm, Associate Sustainability Advisory

Malin Sund, Senior Manager Communication kpmg.com/socialmedia

kpmg.com/app