



Adopting responsible banking practices

How KPMG can help

kpmg.com/sustainability

Pressure grows on banks to operate more sustainably

The global banking sector is under increasing pressure to operate more sustainably and be more transparent about its economic, social and environmental impacts.

A constant flow of new regulations around the world is bringing compliance challenges for banks. At the same time, banks are also expected to follow voluntary guidelines such as the Equator Principles, UN Principles for Responsible Banking and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

As a result, more and more banks recognize the need to integrate environmental, social and governance (ESG) factors into their investment, lending and project finance approaches and decisions.

Many banks run significant asset management businesses and are exposed to a complex array of ESG risks and opportunities. ESG is also entering the lending and project finance space where banks have a critical role as the providers of loans to corporations, financing to projects and advice to issuers of securities.

Awareness is also growing that responsible banking approaches and skillful management of ESG can improve risk-adjusted returns, enhance reputation, spark commercial opportunities, mitigate portfolio risks, and improve market positions and value.

Yet, many banks face multiple challenges in designing and implementing a successful approach to responsible banking and ESG. These range from a lack of internal resources to insufficient ESG data to verify performance.

KPMG member firms can help. Our professionals offer bespoke responsible banking services, tailored to match differing needs and levels of maturity.

Contact us to find out how KPMG member firms can help you.



Tomas Otterström

Global Leader, Sustainable Finance Services, KPMG International.
Partner, KPMG in Finland and KPMG in Sweden.

tomas.otterstrom@kpmg.fi | tomas.otterstrom@kpmg.se

Tomas works with financial sector clients to enable them to build robust ESG strategies and effectively communicate these to their boards, analysts and wider stakeholders. With over 20 years of professional experience, he has worked with dozens of banks, asset managers and investors. He is well connected with key organizations in this space such as the UN Principles for Responsible Banking and the UN Principles for Responsible Investment.



Troy Mortimer

Head of Responsible Investment & Sustainability Services, KPMG in the UK.
Director, KPMG in the UK.

troy.mortimer@kpmg.co.uk



Riikka Sievanen

Leader, Sustainable Finance Global Network, KPMG International.
Senior Manager, KPMG in Finland.

Riikka.sievanen@kpmg.fi



Bill J. Murphy

Leader, Responsible Banking Services (Americas), KPMG International.
Partner, KPMG in Canada.

billmurphy@kpmg.ca



Niven Huang

Leader, Responsible Banking Services (Asia Pacific), KPMG International.
Partner, KPMG in Taiwan.

nivenhuang@kpmg.com.tw

How KPMG can help



01 Identify ESG risks and opportunities

- **Assess your readiness to comply with regulation:** KPMG professionals help banks understand how new ESG-related regulation is likely to affect the organization. They help to assess regulatory risks and opportunities and ensure you are ready to comply.
- **Assess your current ESG maturity level:** KPMG professionals analyze your bank's current approach to responsible banking and ESG. This covers aspects including your ESG governance structure, investment policies, research processes, products and services, credit risk processes and disclosures.
- **Benchmark your organization against your peers:** KPMG professionals help you understand how other banks and financial sector actors are approaching responsible banking and sustainable finance. By taking a detailed look at what your peers are doing, they can identify where you lead and where you lag.
- **Understand what your stakeholders expect from you:** As banks come under increasing pressure to act responsibly, different stakeholders expect different things. KPMG member firms help you engage internal and external stakeholders – from regulators to risk managers, clients to portfolio companies. They help you make sense of the differing views and develop the right strategies to respond.

02 Develop your strategic ESG approach and roadmap

- **Define principles:** KPMG professionals help you define the right responsible banking principles for your organization and integrate them into your bank's policies, practices and mandates.
- **Set goals and targets:** KPMG professionals help you set the right goals and targets to adapt to the new regulatory environment and realize opportunities in the transition to sustainable finance.
- **Develop an implementable roadmap:** KPMG professionals help you draw the roadmap from your bank's current maturity level to achieving your responsible banking goals and targets.

Help your bank comply with the UN Principles for

Responsible Banking: KPMG professionals specialize in helping banks to implement the UN Principles for Responsible Banking. The six principles are:

- | | |
|--|--|
| — Align the bank's business strategy with the Sustainable Development Goals (SDGs) and Paris Climate Agreement | — Consult proactively and responsibly with stakeholders to achieve society's goals |
| — Continuously increase positive impacts and reduce negative impacts | — Implement effective governance and a culture of responsible banking |
| — Work responsibly with clients and customers to encourage sustainable practices | — Be transparent about, and accountable for, the bank's impacts on society |

How KPMG can help (continued)



03 Implement responsible banking across businesses and functions

- **Implement ESG in risk management:** KPMG advisers help you integrate ESG into your governance and compliance processes including Know-Your-Customer (KYC), credit reviews, client advice and risk management.
- **Monitor ESG in your investments and loans:** KPMG member firms help you measure the ESG performance of your investment funds, managed assets and credit portfolio to help you assess risk exposure and engage with portfolio companies.
- **Develop innovative products and services:** KPMG professionals help you develop innovative financial products and services such as green loans, ESG-integrated investment funds and green and social bonds.
- **Build capability and align your people with your ESG approach:** KPMG member firms help to make responsible banking part of your bank's culture and DNA through team education, training and communications.
- **Showcase the impact of responsible banking:** KPMG professionals can help you strengthen the business case for responsible banking within your organization by showcasing the impact it has on your business, your clients and society.



04 Monitor, review and report

- **Monitor and steer performance:** KPMG professionals help you measure and report your progress in implementing responsible banking.
- **Stress testing of portfolios:** KPMG member firms help you stress test your portfolios to understand how they are likely to perform under a wide variety of regulatory, economic and climate scenarios.
- **Review processes and goals:** KPMG member firms can be a sparring partner in your implementation of responsible banking and ESG. They implement internal audit processes, independent reviews and controls to make sure your approaches and targets are up-to-date and fit-for-purpose.
- **Report ESG performance:** KPMG can help you improve your external ESG reporting to align with frameworks such as the UN Principles for Responsible Banking/Investment and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- **Assure green loans and green bonds:** KPMG professionals can verify that your management of green loans and green bonds is in accordance with international standards such as the Green Loan Principles and the Climate Bonds Standards.

Client stories

01

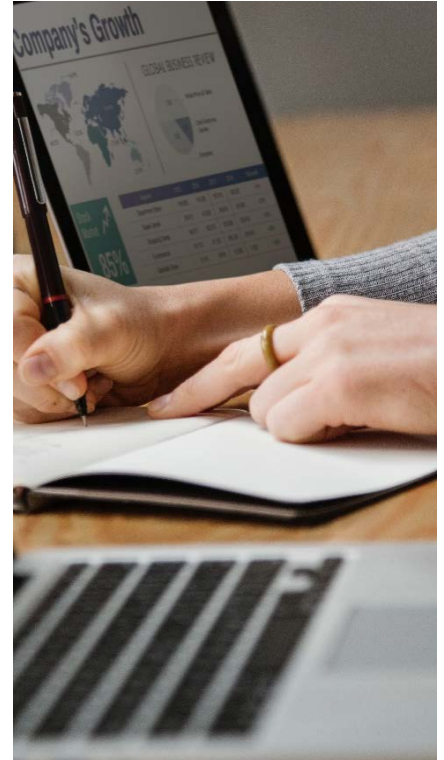
Assessing risks in a bank's project finance business

To showcase its leadership in the Asian market, Cathay United Bank (CUB) wanted to become the first Taiwanese bank to implement the Equator Principles (an international framework to assess environmental and social risks in the finance of large infrastructure and industrial projects).

The bank faced two key challenges. Firstly, knowledge to manage environmental and social risks among its employees was limited. Secondly, the bank needed a more comprehensive process to evaluate environmental and social risks in finance opportunities, in order to comply with the Equator Principles.

KPMG in Taiwan worked with the bank to design a new evaluation process that categorized projects into risk groups aligned with the Equator Principles and helped the bank embed it in its IT system. Subsequently, KPMG designed and implemented a training program to improve employees' knowledge of environmental and social risks and enable them to apply the Principles in their lending decisions.

As a result, CUB completed the first project finance case in Taiwan to follow the Equator Principles and is now using the Principles to establish CUB's sustainable finance policy.



02

Developing a roadmap to implement responsible banking

A major Nordic bank aims to be a market leader in responsible banking. However, its management recognized that its existing approach to responsible banking risked being partly disconnected from its core banking business and the bank's targets relating to transparency, being an attractive workplace and sustainable finance.

KPMG in Sweden helped the bank to develop a roadmap to implement responsible banking across all areas from credit risk reviews to procurement and its financial products and services.

KPMG began with a comprehensive engagement across various areas within the bank to assess the current maturity in each business area and to identify opportunities and challenges to achieve its ambition in responsible banking.

The engagement process revealed variation in responsible banking maturity and ambition across the bank. It identified, amongst other, opportunities in procurement and in financial products and services.

The roadmap has been successful in setting off changes within the bank, including the issuance of green bonds to finance discounted green mortgage loans for energy-efficient homes.

In addition, KPMG continues to work with the bank to implement the roadmap, including identifying ESG risks in the bank's supplier base.



Local KPMG contacts

Angola

Martim Santos

martimsantos@kpmg.com

Australia

Adrian V. King

avking@kpmg.com.au

Austria

Peter Ertl

pertl@kpmg.at

Belgium

Mike Boonen

mboonen@kpmg.com

Brazil

Ricardo Zibas

rzibas@kpmg.com.br

Canada

Bill J. Murphy

billmurphy@kpmg.ca

Cyprus

Iacovos Ghalanos

iacovos.ghalanos@kpmg.com.cy

Chile

Luis Felipe Encina

lencina@kpmg.com

China

Patrick Chu

patrick.chu@kpmg.com

Colombia

Fabian Echeverria

fecheverria@kpmg.com

Czech Republic

Miroslava Prokesova

mprokesova@kpmg.cz

Costa Rica

Luis Rivera

lgrivera@kpmg.com

Denmark

Frances Iris Lu

franceslu@kpmg.com

Finland

Tomas Otterström

tomas.otterstrom@kpmg.fi

France

Philippe Arnaud

parnaud@kpmg.fr

Germany

Christian Hell

chell@kpmg.com

Greece

George Raounas

graounas@kpmg.gr

Hungary

István Szabó

istvan.szabo@kpmg.hu

Iceland

Helga Harðardóttir

hhardardottir@kpmg.is

India

Santhosh Jayaram

santhoshj@kpmg.com

Indonesia

Ian Hong

ihong@kpmg.com.sg

Ireland

Michael Hayes

michael.hayes@kpmg.ie

Israel

Oren Grupi

ogrupi@kpmg.com

Italy

PierMario Barzaghi

pbarzaghi@kpmg.it

Japan

Kazuhiko Saito

kazuhiko.saito@jp.kpmg.com

Yoshitake Funakoshi

yoshitake.funakoshi@jp.kpmg.com

Jordan

Gina Hamameh

ghamameh@kpmg.com

Kazakhstan

Saken Zhumashev

szhumashev@kpmg.kz

Luxembourg

Julien Ganter

julien.ganter@kpmg.lu

Malaysia

Kasturi Nathan

kasturi@kpmg.com.my

Mexico

Jesus Luna

jluna@kpmg.com.mx

Netherlands

Arjan de Draaijer

deDraaijer.Arjan@kpmg.nl

New Zealand

Simon Wilkins

SWilkins1@kpmg.co.nz

Nigeria

Tomi Adepoju

tomi.adepoju@ng.kpmg.com

Norway

Anette Rønnov

anette.ronnov@kpmg.no

Peru

Rosario Calderon

rccalderon@kpmg.com

Poland

Krzysztof Radziwon

kradziwon@kpmg.pl

Portugal

Martim Santos

martimsantos@kpmg.com

Romania

Gheorghita Diaconu

gdiaconu@kpmg.com

**Russia, Ukraine,
Georgia and Armenia**

Igor Korotetskiy

ikorotetskiy@kpmg.ru

Singapore

Ian Hong

ihong@kpmg.com.sg

South Africa

Paresh Lalla

paresh.lalla@kpmg.co.za

South Korea

Hyoung-Chan Kim

hyoungchankim@kr.kpmg.com

Jung-Nam Kim

jungnamkim@kr.kpmg.com

Spain

Ramon Pueyo Viñuales

rpueyo@kpmg.es

Sweden

Tomas Otterström

tomas.otterstrom@kpmg.se

Switzerland

Arjan de Draaijer

deDraaijer.Arjan@kpmg.nl

Taiwan

Niven Huang

nivenhuang@kpmg.com.tw

Thailand

Paul Flipse

pflipse@kpmg.co.th

Turkey

Sirin Soysal

ssoysal@kpmg.com

UAE and Oman (Lower Gulf)

Daniel Gribbin

dgribbin1@kpmg.com

UK

Troy Mortimer

troy.mortimer@kpmg.co.uk

US

Katherine Blue

kblue@kpmg.com



kpmg.com/sustainability

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Designed by CREATE. | CRT113446A | June 2019