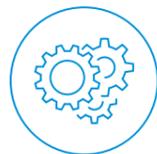




Actions for banks

The implementation of ESG risks into the risk management framework scales up the function, with the addition of a new perspective: an understanding of their stakeholders and in turn, their effect on the institution's overall performance. This perspective may also shed new light on other risk types and influence their ratings.

Despite the ever-growing stock of new publications and the expected regulatory changes, banks can approach ESG risks in a structured manner. Topics that have to be dealt with include, but are not limited to:



Degree of integration of sustainability into business



Integration of ESG data into existing data



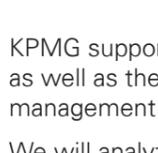
Impact of ESG factors on pricing and evaluation



Ascertainment of required costs, technical skills and capacities



Selection of sustainability risks to be communicated (e.g. in EU Disclosure Regulation)



Consistent processes for ESG data use to create transparency regarding the impact of different investment strategies (impact and risk)

KPMG supports banks facing ESG-related challenges as well as their establishment of a holistic ESG risk management framework.

We will analyze the regulatory and economic risk management process (strategy, inventory, risk measurement, control and reporting) and incorporate ESG risk factors:

- Integration of ESG risks, i.e. full consideration of the ESG risk drivers and impact relationships with known risk types (taxonomy/risk inventory/risk strategy)
- Integration into the existing risk and model landscape
- Selection of risk assessment tools
- Involvement in reporting and forecasting processes
- Consideration of ESG factors in business and capital planning (via scenario or sensitivity analysis).



Identification of ESG risks in business strategy, risk strategy and other relevant strategies



Consideration of ESG risks in risk management: risk inventory, identification, management, limitation, control, capital requirements, and reporting



Provision of ESG risk data for customers and investors



Examination of usefulness of ESG data to adequately prepare a portfolio for ESG trends (e.g. climate change)

