



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. A complete report will be launched on October 21st at a seminar at KPMG. The invitation can be found on kpmg.se/hallbarhet.

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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 three-month period from June 2016 to September 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

organisations were researched and their representatives were interviewed



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

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.



The total credit portfolio and loans to corporates represent an opportunity for banks and financial institutions to impact E&S development positively



Key findings

Strengths

89% have sustainability strategies that are both risk and opportunity-driven and are aligned with the business strategies

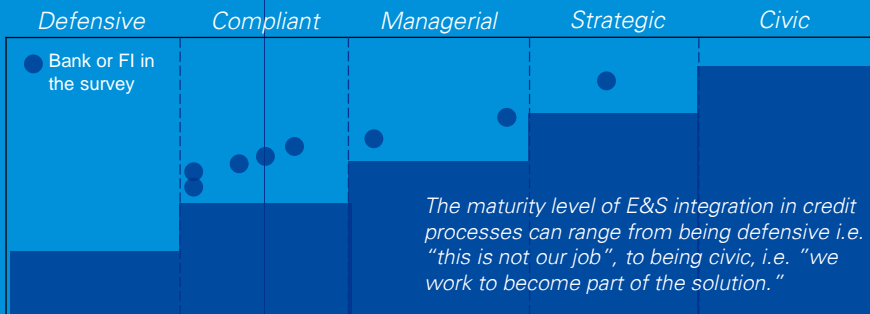
78% have sector and/or issue specific E&S risk policy statements which guide their credit activities

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 handles 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 HBR's approach to sustainable development and corporate integration, 2004

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



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Room for improvement

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

55% have translated their sustainability strategies into KPIs 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

33% monitor E&S risks at credit portfolio level

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

