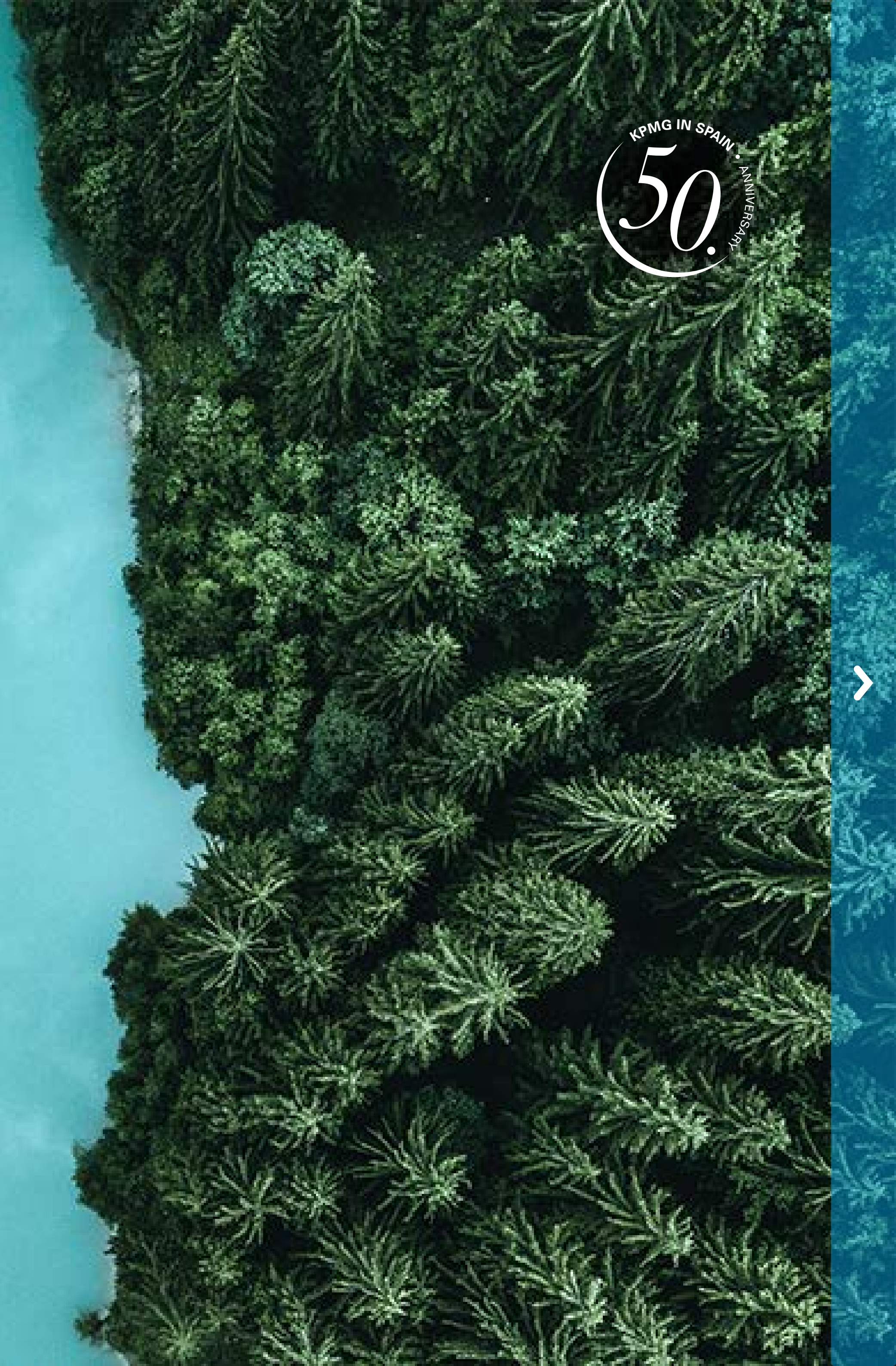
European bank practices

in supporting and implementing the UN Sustainable Development Goals



June 2021

kpmg.es

ebf.eu

About this report

About the study

This report has been prepared jointly by the European Banking Federation (EBF) and KPMG Spain to provide an understanding, in a simple and concise way, of current leading trends and practices in the European banking sector aimed at helping to achieve the implementation of the SDGs through their business strategies.

We would like to thank each of the participating associations and banks for their collaboration and the time dedicated to the study.

- Italian Banking Association (ABI)
- ABN AMRO Bank
- Air Bank
- Alpha Bank
- Banca Etica
- Banca Popolare di Puglia e Basilicata
- Banca Sella
- Banco BPM
- Banco Santander
- Bank ABC
- Bankhaus Schelhammer & Schattera
- Banque Raiffeisen
- Barclays
- BBVA
- BCEE
- BGL BNP Paribas
- BIL
- BNL BNP Paribas
- Building Society of the Czech Savings Bank
- Caja Mar
- Česká spořitelna
- Caixa Geral de Depósitos
- Commerzbank
- Crédit Agricole
- Crédito Agrícola
- Danske Bank
- Eurobank
- Fortuna Banque s.c.
- Groupe BPCE
- Hello Bank!
- HSBC
- Hypo Tirol Bank AG
- Iccrea Banca
- INDOSUEZ Wealth Management – CA
- ING Czech Republic
- Intesa Sanpaolo
- JSC Development Finance Institution Altum
- Jyske Bank
- KBC Group
- KBC Group NV
- Komerční Banka
- LGT
- Mediobanca
- Millennium bcp
- Moneta Money Bank
- National Bank of Greece
- NIBC Bank N.V.
- Novo Banco
- Nykredit
- OeKB Group
- OTP Bank
- OTP Bank Romania
- Piraeus Bank S.A.
- Polish Banking Association
- Rabobank
- Raiffeisen Bank
- SBAB Bank
- SEB
- Standard Chartered Bank PLC
- Svenska Bankföreningen
- Swedbank
- Sydbank
- UBS
- UK Finance
- UniCredit Banca
- Unicredit Bank CZ
- Volkskreditbank AG

Methodology

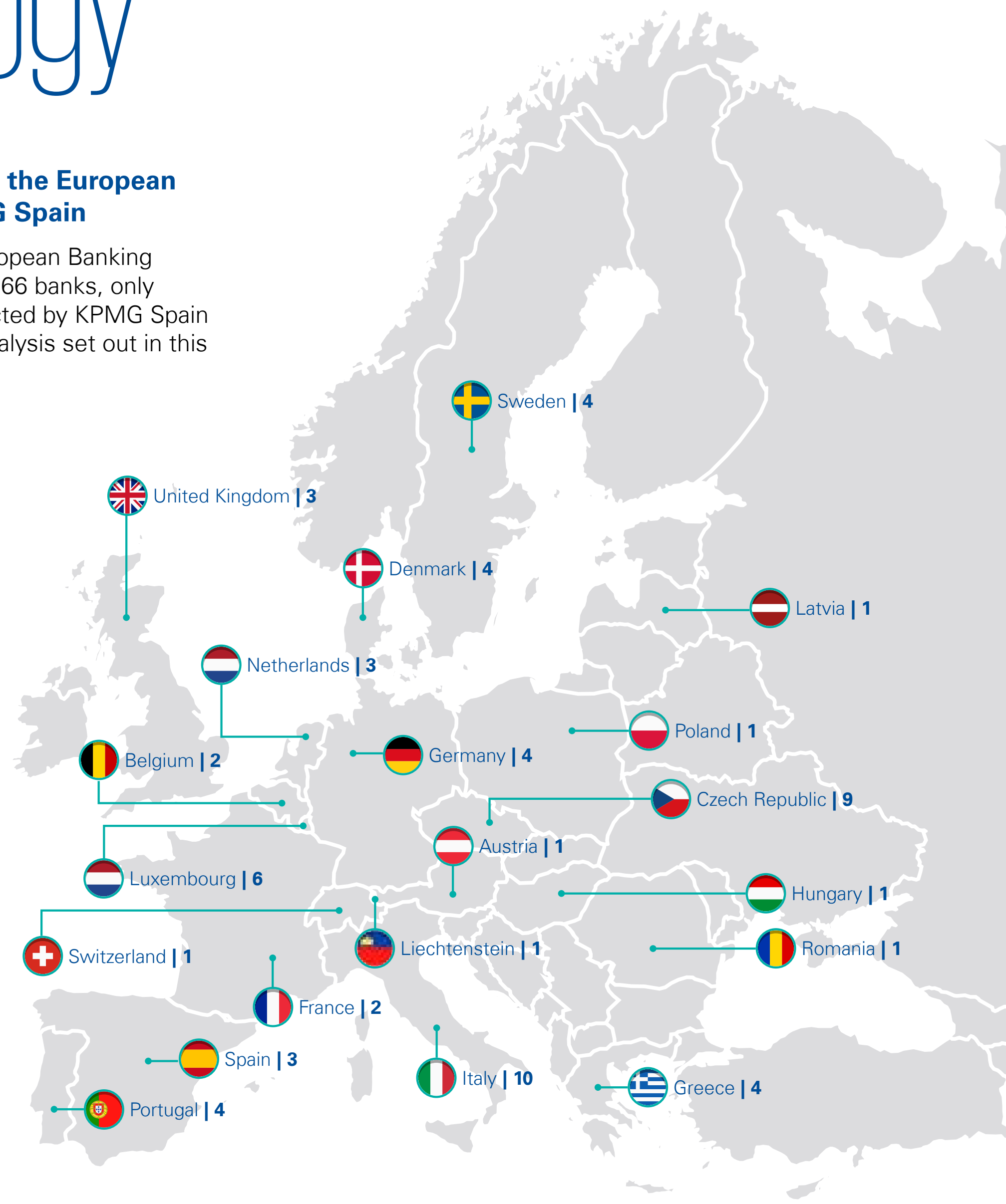
This study was conducted jointly by the European Banking Federation (EBF) and KPMG Spain

A total of 66 banks represented by the European Banking Federation took part in the study. Of these 66 banks, only those that responded to the survey conducted by KPMG Spain (49) were considered in the quantitative analysis set out in this report.

Questionnaire

To carry out the analysis, KPMG developed an online questionnaire in August and October 2020. This questionnaire was sent to all the banking associations and EBF affiliates. It consisted of 24 questions divided into three blocks: 1) Sustainable and responsible banking; 2) the United Nations SDGs; and 3) SDG reporting and commitment to the SDGs.

Two questionnaires previously conducted by the EBF, in 2019 and 2020 respectively, were also taken into consideration from a qualitative perspective.



Executive summary and Conclusions

Executive summary

More than five years after the adoption of the UN Sustainable Development Goals, their implementation is still conditioned by the investment needs required to meet the targets set.

The UN Sustainable Development Goals (SDGs) are part of the 2030 Agenda. This new agenda comprises 17 goals and 169 specific targets, and invites all actors in society, in particular, those in the private sector, to become involved in helping to achieve them by 2030.

According to the estimate made by the UN Conference on Trade and Development (UNCTAD) in 2017, the investment needs to achieve the Sustainable Development Goals by 2030 were estimated to be between five and seven trillion US dollars per year.[1] However, according to the United Nations in 2019, the global budget deficit for their fulfilment amounted to 2.5 trillion US dollars per year.[2]

In this context, the participation of the private sector, particularly the financial sector, is essential. According to the UN Development Programme, the value of global financial assets is estimated to be as much as 200 trillion US dollars, which, channelled into sustainable development, could go a long way towards meeting the investment needs required to achieve the SDGs.[3]

Financial sector institutions are no strangers to the SDGs. Over the last decade, these entities have seen how sustainability issues have become increasingly relevant to their activity.

Particularly at the European level, different initiatives and regulations are promoting the management of environmental, social and governance issues in a cross-cutting manner and raising the responsibility for oversight and supervision to the governing bodies of the organisations.

In this sense, sustainability and compliance with the SDGs go hand in hand. In general terms, banks are making progress in considering the goals and targets of the 2030 Agenda by working on the identification of how their activities can contribute to the SDGs achievement.

1 Niculescu, M. (2017, July 13). Impact investment to close the SDG funding gap. Retrieved October 29, 2020, from https://www.undp.org/content/undp/en/home/blog/2017/7/13/What-kind-of-blender-do-we-need-to-finance-the-SDGs-.html

2 United Nations. (2019, September 25). Citing $2.5 Trillion Annual Financing Gap during SDG Business Forum Event, Deputy Secretary-General Says Poverty Falling Too Slowly | Meetings Coverage and Press Releases. Retrieved November 30, 2020, from https://www.un.org/press/en/2019/dsgsm1340.doc.htm

3 UN Secretary-General's Strategy for Financing the 2030 Agenda – United Nations Sustainable Development. (n.av.). Retrieved November 30, 2020, from https://www.un.org/sustainabledevelopment/sg-finance-strategy/

Sustainable-focused products constitute a high-potential source of SDG financing. The range of products aligned with the 2030 Agenda available to banks' customers are mainly bonds and investment funds aligned with the SDGs. At retail level, banks are developing products and services that promote a transition to a low-carbon economy, as well as considering other social challenges such as promoting entrepreneurship or gender equality.

Toward this end, entities are progressing in defining commitments that help mobilise resources for the financing of sustainable projects aligned with the SDGs. However, this is still an uneven progress, both in terms of assessing portfolios to determine such alignment and in terms of defining specific targets and metrics to facilitate measurement and monitoring.

This is mainly due to certain difficulties that need to be addressed on the road to meeting the goals, especially in relation to the integration of the SDGs into business activity, due to the lack of standard methodologies for their implementation and the difficulty in establishing strategic thinking around the setting of related goals.

Conclusions

– Today, sustainability is one of the pillars that underpins banks' business strategies, fuelled by new regulations and initiatives for transitioning to a sustainable economy, in accordance with the Paris Agreement, and implementing the 2030 Agenda. Governance bodies are well aware of ESG issues and the 2030 Agenda. Sustainability is a multi-disciplinary matter within organisations and the responsibility for sustainability issues also extends to board committees.

– The banks' approach to SDGs is to focus their actions on the objectives and goals over which their potential impact is greatest, considering the pillars underpinning their strategies, business models and areas of activity. The most significant SDGs from this perspective are those related to economic growth and decent work (SDG 8), climate action (SDG 13), clean energy (SDG 7), sustainable cities and communities (SDG 11) and responsible consumption and production (SDG 12).

– In this context, commitments are being made publicly to align bank portfolios with sustainable activities and, in accordance with the SDGs, to set financing targets for related activities and to restrict monetary flows to sectors that create more environmental harm.

– Progress regarding the evaluation of bank portfolios to measure their alignment with the SDGs has thus far been uneven, with most banks reporting little progress on integrating these aspects into their business. The same trend is observed in terms of defining objectives and metrics suitable for monitoring.

– This could largely be due to the lack of a methodology to facilitate implementation. Also, the very nature of the goals defined may hinder the establishment of indicators to effectively measure the banks' contribution to achieving an objective. Another of the issues hindering implementation is the lack of strategic business thinking that looks at SDGs from an early stage onwards.

– The products most commonly aligned with the 2030 Agenda include sustainable bonds (green and social), investment funds created along ESG criteria and theme-based investments that impact the SDGs.

– Reporting on the contribution to SDGs is not compulsory. However, it is becoming increasingly common to include this information in the corporate reports that listed entities publish annually and to submit them for approval by the banks' governing bodies. The reporting exercise is used as a tool for measuring progress in achieving the commitments acquired and as an accountability tool vis-à-vis stakeholders.

Part 1
Sustainable and responsible banking

Sustainable and responsible banking

EU-led regulation and action plans are the main drivers helping to redirect capital flows towards sustainable projects. The banking sector is one of the key players in this trend.[4]

Sustainability has ceased to be a self-contained area that only certain individuals within the organisation have knowledge of. It now permeates other areas due to the need to integrate and advance along the path towards a responsible banking model that considers the impact and influence of banks' activities on their environment.

Numerous banks have made public commitments regarding financing, pledging to channel funding towards sustainable activities that will furthermore take into account the need to contribute towards the implementation of the SDGs.

Knowledge of ESG issues and responsibility for them have steadily shifted upwards towards senior management and boards of directors. Today, sustainability is treated as one more aspect of the high-level decision-making process and has become integrated into corporate strategy, linking ESG matters to the achievement of corporate strategic objectives.

Moreover, the financial institutions themselves have come together to lead the change in trend, promoting initiatives such as the Principles for Responsible Banking (PRB), a comprehensive framework aimed at bringing the banking sector closer to the UN Sustainable Development Goals and the 2015 Paris Climate Agreement, or the implementation of the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations.

4 European Commission. (2020, August 05) Renewed sustainable finance strategy and implementation of the action plan on financing sustainable growth. Retrieved December 01, 2020, from https://ec.europa.eu/info/publications/sustainable-finance-renewed-strategy_es

Who is responsible for ESG issues at banks?

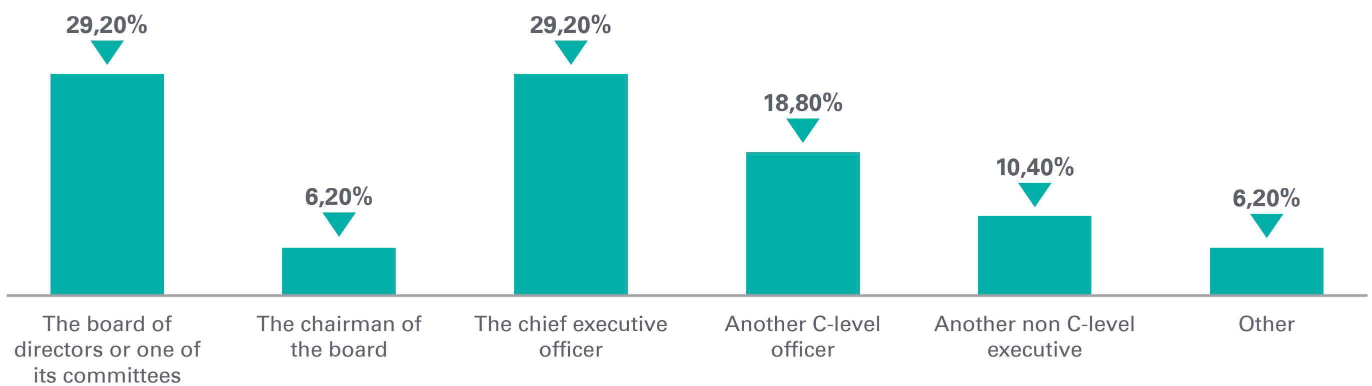
The vast majority of participating banks indicate that the sustainability officer reports directly to the C-level officer or above.

At the European level, partly as a result of regulation, it is increasingly common to see boards of directors playing an important role in sustainability issues.

A trend is also observed in which environmental, social and governance matters are being reported to senior management of the organisation. Specifically, to management of business units such as Risk (Chief Risk Office) or Wholesale Banking, among others.

Who does your bank's chief sustainability/ responsible banking officer directly report to?

Sample: 48 banks



ESG issues at board level

Among the banks whose sustainability practices are more advanced, the trend is toward the creation of specific sustainability committees within their boards.

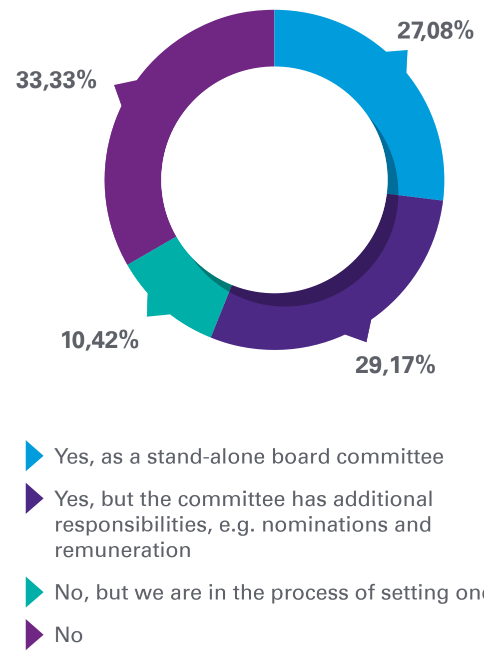
More than half of the banks participating in the survey currently raise sustainability issues at board level, either through a dedicated board committee or through committees that also have other responsibilities. In some cases, responsibility also lies with the executive committees of the participating banks, whose members make up the senior management of the organisations.

In some cases, external committees are created which are made up of experts and members of academic institutions representing the organisation's stakeholders, the purpose of which is to advise on sustainability strategy issues.

It is worth mentioning that corporate governance standards do not generally require the establishment of specific sustainability committees.

Does any of your bank's board committees have specific, formal responsibility for overseeing sustainability and responsible banking issues?

Sample: 48 banks



Sustainability in banking strategies

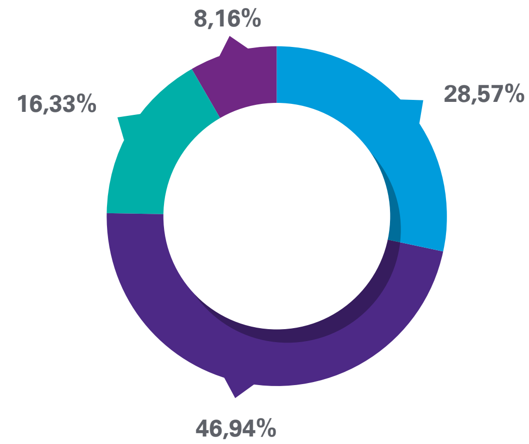
The establishment of the UN Sustainable Development Goals and the 2030 Agenda in 2015 has led many banking institutions to reflect on how to contribute to their implementation through their activities.

Nearly half of the participating banks already integrate ESG issues into their "regular" business strategies. Nevertheless, some banks have simultaneously implemented specific sustainability strategies.

These strategies address the need to manage the risks arising from climate change in their portfolios, their contribution to local development through their activities, and the impact on the environments in which they operate, as well as the way in which human rights are safeguarded in their own and their clients' value chains. Most of the banks that have a sustainability strategy also state that they had set specific objectives and indicators to measure their contribution to the SDGs, linking them to their ESG lines of action.

Has your bank defined a formal sustainability/responsible banking strategy?

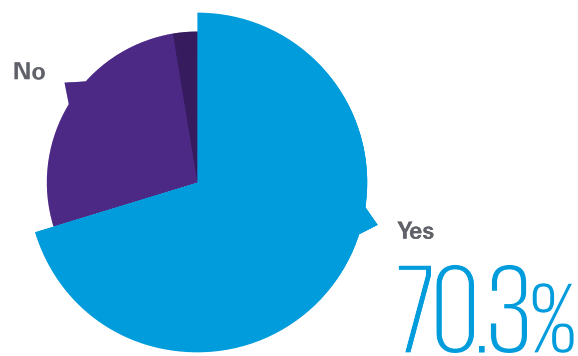
Sample: 49 banks



- Yes, as a stand-alone strategy
- No, but we are working on it
- Yes, as part of the bank's "regular" strategy
- No

And as part of that strategy, has your bank defined any specific objectives and KPIs related to its contribution to achieving the SDGs?

Sample: 37 banks (100% of the participating banks that previously indicated that they have a strategy in place)



Popular current ESG initiatives

The Principles for Responsible Banking (PRB) have captured the attention of banks in their efforts to continue advancing in defining an operating model based on sustainability.

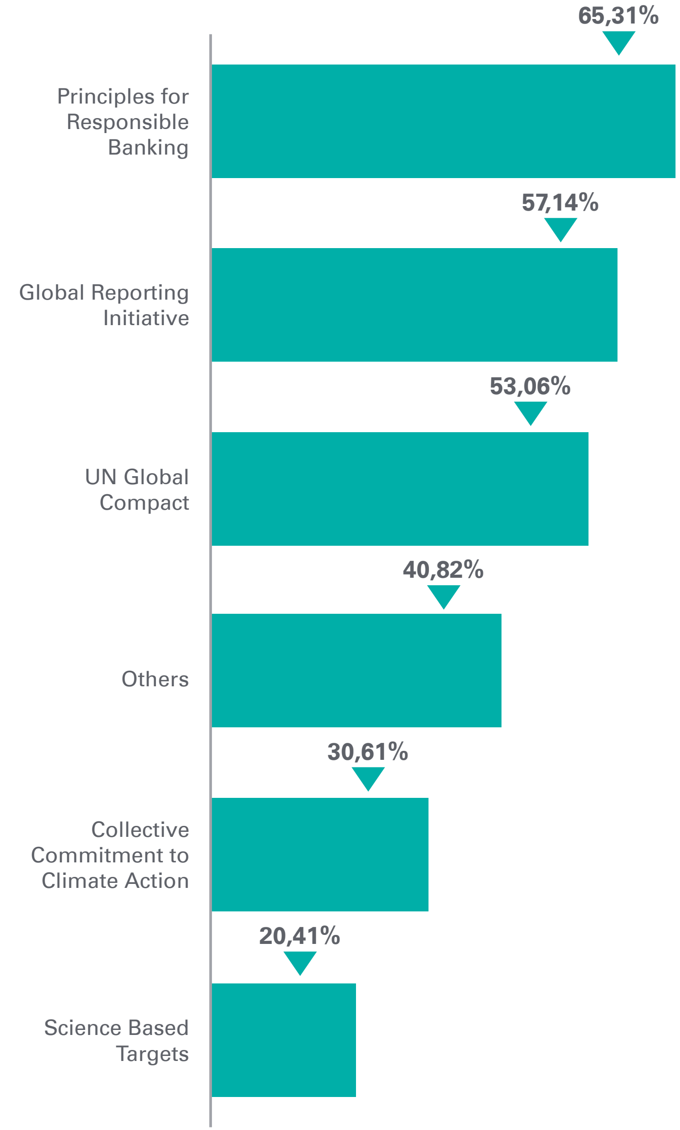
In this study, 65% of participating banks have signed up to the PRB. The PRB covers aspects ranging from strategic alignment with SDGs and the Paris Agreement to effective communication about their actions. Since their launch in 2019, a total of 206 banks have adopted the principles.

The Collective Commitment to Climate Action establishes a series of commitments whereby the signatory banks must reduce their portfolio exposure to climate change so as to facilitate compliance with the Paris Agreement.

Among the initiatives considered under Others, those related to climate are the ones mentioned most frequently by participating banks. These include monitoring TCFD recommendations or committing to Climate Action 100+. Other initiatives such as the UN Principles for Responsible Investment (UNPRI), diversity-related programs such as the Women's Empowerment Principles (WEPs) and other local initiatives are also mentioned.

Has your bank made a public commitment through initiatives such as

Sample: 49 banks



Sustainability and SDGs in financing of businesses

More than a half of the banks surveyed say they are committed to setting sustainability targets in their lending portfolio.

Half of those that have defined such targets indicate that such commitments currently cover all of their business areas, whereas the rest state that they still only apply to some of them.

These commitments can take different forms such as:

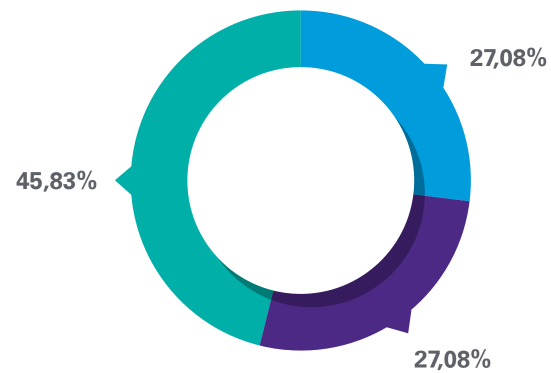
- Mobilisation of financing earmarked for ESG by a specific date (in absolute terms or as a percentage of financing portfolios)
- Restrictions on financing for activity sectors that create more pollution (focused mainly on climate)

To date, these commitments have focused primarily on climate change and financing the transition to a low-carbon economy, in addition to socially-based commitments to promote local production sectors, entrepreneurial pursuits or microfinance, among others.

Most of banks surveyed that have publicly pledged to set sustainability targets in their portfolios also indicate that some of the targets are related to the bank's alignment with the SDGs. It is worth noting that many of the banks that do not have such targets in place are in the process of developing them.

Has your bank publicly pledged to meet certain sustainability targets in its lending portfolio?

Sample: 48 banks



- Yes, and those targets trickle down through all our business units (retail, wealth and asset management, consumer finance, corporate and investment banking, etc.)
- Yes, but they apply only to some of our business units
- No, we have not defined targets yet

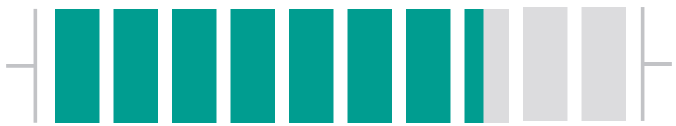
Does ESG matter for boards?

Reference standards on corporate governance such as the Global Governance Principles of the International Corporate Governance Network (ICGN), investors and/or the competent authorities in different countries entrust the supervision of ESG issues to the board of directors.

The functions assigned to the board in this area include reviewing sustainability policies, knowledge of non-financial risks and supervision of ESG strategies, as well as oversight for their implementation, monitoring of stakeholder relations and the preparation of non-financial information statements.

In your experience, how relevant are sustainability and responsible banking issues for bank boards of directors nowadays?

Sample: 48 banks



Average

7.42

Issues related to sustainable and responsible banking are considered to be increasingly relevant for boards of directors.

Among the banks that rate the importance of responsible banking issues with a score of seven or higher, 65% have an ad hoc responsible banking committee in place:

- 65% have a committee established to manage sustainability issues.
- Only in 30% of cases does this committee have as its sole function the handling of the bank’s sustainability issues.
- 84% report on sustainability issues to a C-level officer or above.

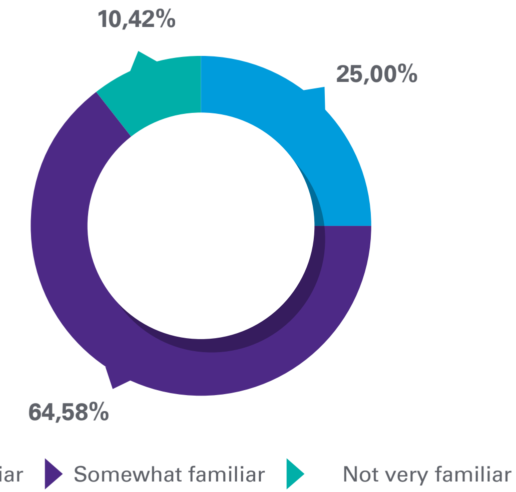
Are bank governing bodies familiar with the SDGs?

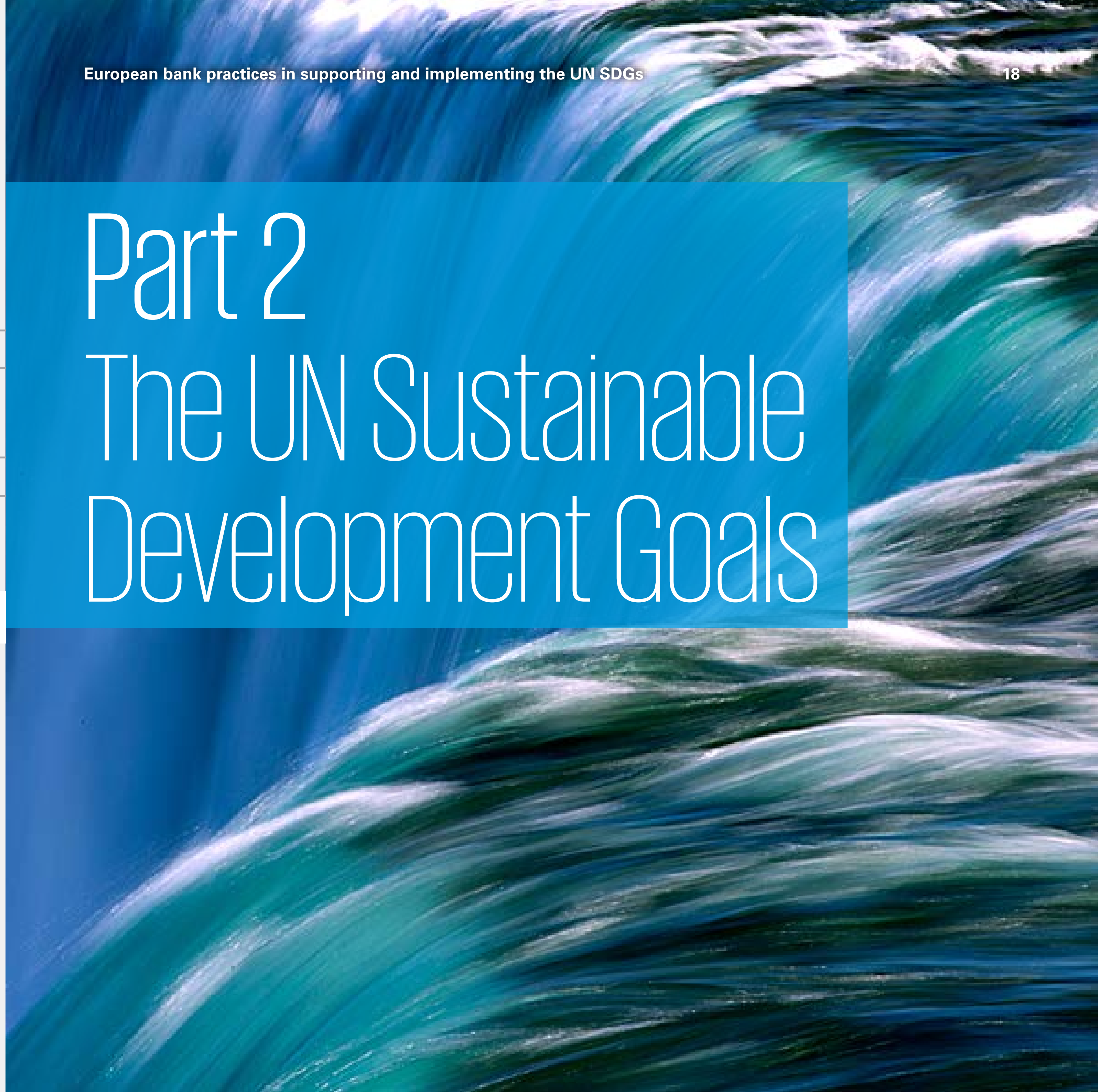
90% of banks surveyed consider that both the board of directors and management are somewhat or very familiar with the SDGs.

If we dive deeper into the knowledge of the SDGs among governing bodies, around two-thirds of the banks surveyed state that both the board of directors and the management team are in some way familiar with the SDGs. Additionally, 25% of participating banks consider that they are very familiar with them and only one tenth of them report a lesser degree of familiarity with the SDGs.

How familiar would you say your bank's board of directors and senior management are with the UN Sustainable Development Goals?

Sample: 48 banks





Part 2
The UN Sustainable Development Goals

The UN Sustainable Development Goals

The European banking sector is being called upon to play a key role in the achievement of the 2030 Agenda, thanks to its capacity to provide and channel resources towards initiatives of a sustainable nature that contribute to the implementation of the SDGs.[6]

This role has been enhanced over the last decade by European Union bodies and institutions through different initiatives to boost sustainable finance. The purpose of these action plans is to set out the roadmap for sustainable transformation of the economy, ranging from inclusive socioeconomic development to climate change and environmental protection.

When taking action, the banks are giving priority to SDGs that are critical to their activities. Three SDGs stand out as having high priority: SDG 8, due to its promotion of socioeconomic development in the environments where they operate; SDG 13 and SDG 7, respectively, related to combatting global warming and promoting clean, affordable energy.

Establishing sustainable financing frameworks also enables the banks to identify activities that can channel funding into projects aligned with the SDGs.

In terms of portfolio evaluation to measure their alignment with the SDGs, progress has thus far been uneven, with most banks reporting that little headway has been made in integrating these aspects into the business. The same trend is observed in terms of defining objectives and metrics suitable for monitoring.

According to the study, this is largely motivated by the lack of a methodology to facilitate these tasks, and by the need to engage in strategic business thinking that considers SDGs from an early stage onwards.

6 Calle, C. (2019, September 3). Make way for sustainable finance. Retrieved November 26, 2020, from https://www.tendencias.kpmg.es/2019/09/finanzas-sostenibles-cambio-climatico/. In this same sense and referring to the role of the financial sector and the transition to the low-carbon economy, Ramón Pueyo said: "There's no going back from the need to move towards a low-carbon economy. The financial sector has a key role to play in channelling resources towards projects, activities and investments that are advancing in that direction. Regulations must establish the conditions that allow it to do so"

Which SDGs have the greatest relevance for the sector?

Which SDGs have the greatest relevance for the sector?

According to our survey, participating banks indicate that SDG 8 on decent work and economic growth is the most relevant to their activity, followed by SDG 13 and SDG 7. At the other end of the scale, SDG 2, Zero Hunger, and SDG 14, Life Below Water, are least relevant

Sample: 47 banks

83%

8 DECENT WORK AND ECONOMIC GROWTH

Banks play a major role in communities, promoting the use of **savings accounts**, conducting financial literacy programmes, **increasing financial inclusion** for vulnerable customers and promoting **entrepreneurship** and **SME development** to contribute to the creation of employment.

75%

13 CLIMATE ACTION

The integration of Climate Change follows two streams: by **reducing banks' internal environmental footprint** and raising capital aimed at **projects that help mitigate and adapt to climate change**.

60%

7 AFFORDABLE AND CLEAN ENERGY

The transition to a low-carbon economy is achieved by **allocating capital resources to renewable energy projects** (project finance), participating in **green and sustainable bonds** and creating products and services for clean-energy-conscious customers.

52%

11 SUSTAINABLE CITIES AND COMMUNITIES

Banks are offering **green real estate products** such as green mortgages and providing **solutions** to customers to **increase their energy efficiency**, i.e., loans for energy renovation of buildings, green vehicles, etc.

50%

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Increased capital resources allocation to projects that **support responsible and ethical production and consumption**.

Identification and action on SDGs

Most of the participants have used specific approaches to define the SDGs relevant to their business, and about half of them report using indicators and targets aligned with the SDGs.

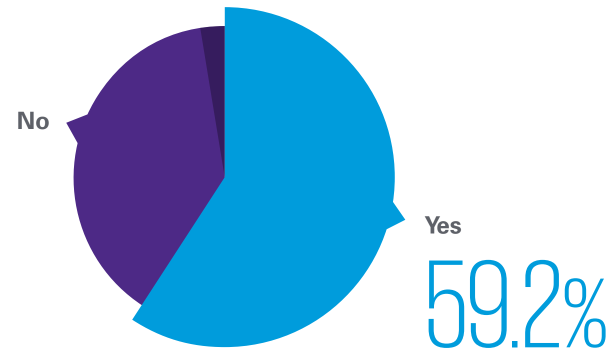
The most common approach for identifying SDGs that are high-priority is by means of materiality analyses and by identifying the most significant sustainability issues aligned with the strategies and business models of the banks, as well as the value chain and context in which each of them operates.

To this end, there is no specific methodology to facilitate the identification of relevant SDGs for banking business, but rather, this is done through internal strategic reflection within the organisation and enhanced with the involvement of external stakeholders.

Nearly half of banks point out that they are using KPIs or objectives that are part of the SDGs. There is mention of the difficulties in aligning the indicators with the specific goals of the SDGs, leading the banks to use proxies in order to provide context for their indicators.

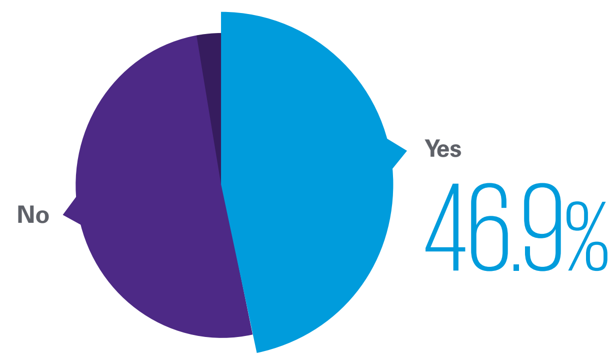
Has your bank followed a formally documented approach to define which sustainable development goals are material from a business perspective?

Sample: 49 banks



Is your bank, in the context of your sustainability/ responsible banking efforts, using any of the targets and indicators that form part of the SDG as its own KPIs or objectives?

Sample: 49 banks



SDG-related targets

A third of the participating banks have defined indicators in their country context, both qualitative and quantitative.

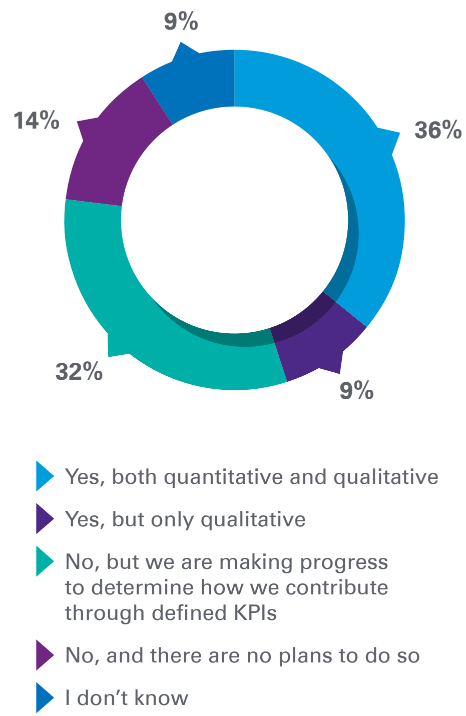
Despite the fact that the majority of banks have taken into account the SDGs for action in the countries they operate, only 45% of them set these indicators and contextualise how their entity contributes to the SDGs at local level.

A third of the banks indicate that the objectives and indicators established are both qualitative and quantitative in nature, while 9% indicate that they have only taken this approach in qualitative aspects.

Although the vast majority of banks are measuring their performance from a global perspective, efforts are observed in some cases to use indicators that take local priorities into consideration.

Were these KPIs set to determine or contextualise how your bank contributes to the SDGs targets and indicators in the countries where you operate?

Sample: 22 banks (100% of the participating banks that previously indicated that they have in place KPIs or objectives that are part of the SDGs)



Portfolio assessment and contribution to SDGs

Some of the banks have defined sustainable finance frameworks to establish the groundwork and principles for channelling monetary flows towards projects that contribute to the implementation of the SDGs.

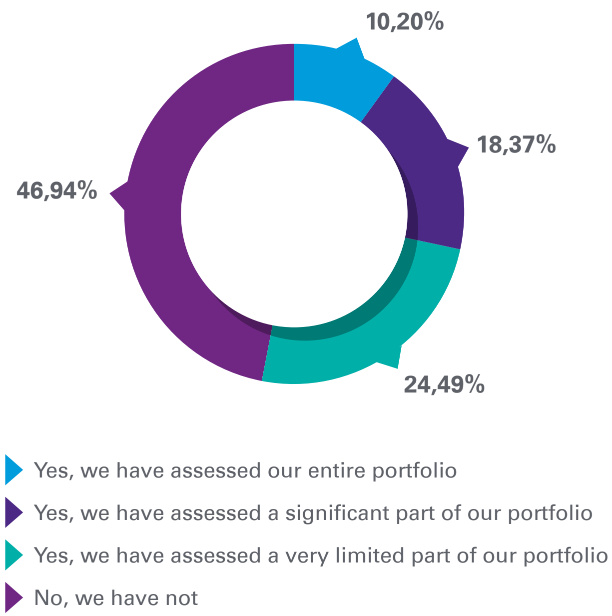
However, not all banks report having undertaken the proper analysis in the same depth to asses their portfolios. Only a tenth have assessed their entire portfolios, while the majority have analysed only a very limited part of their portfolio.

The companies that have made progress in evaluating their portfolios have done so following the TCFD recommendations and other initiatives for evaluating portfolio risk exposure. Thus, among the portfolios evaluated are those related to sectors that produce more intense environmental externalities.

In this regard, some private actors are offering solutions to measure the impact of portfolios in accordance with SDG metrics. For example, an innovative project is being carried out by KPMG and CISL (Cambridge Institute for Sustainability Leadership) with the help of the Investment Leaders Group, through the Sustainable Investment Framework Navigator, the main purpose of which is to create a tool that facilitates portfolio impact measurement for asset managers.

Has your bank assessed to what extent your lending portfolio is aligned with the sustainable development goals in terms of the business you are financing, the purpose of the finance activities or both?

Sample: 49 banks



Defining targets and KPIs in line with the SDGs

More than a half of the banks participating in the study are defining SDG-related targets in their portfolios, but only a few have defined metrics to assess SDGs implementation in their lending portfolio.

Overall, the data analysed suggests a trend towards the definition of targets related to the lending activities of the participating banks. These objectives are presented in the form of commitments to mobilise funding for projects that address the goals and targets of the 2030 Agenda.

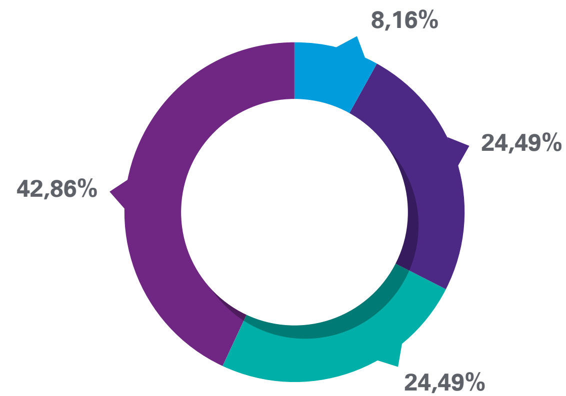
Thus, more than half of the banks participating in the study are defining SDG-related targets in their portfolios, although only 8% have set targets for their entire portfolio.

Around 43% of the banks in the sample indicate that they have not defined SDG-oriented targets for their portfolio activity.

Moreover, only about 4% of participating banks have defined metrics to assess SDGs implementation in their entire lending portfolio, while 63% has not yet established KPIs for doing so.

Have you defined sustainable development goal-related objectives for your lending activities in terms of the business you are financing, the purpose of the financing activities or both?

Sample: 49 banks



- Yes, we have defined objectives for our entire portfolio
- Yes, we have defined objectives for a significant part of our portfolio
- Yes, we have defined objectives for a very limited part of our portfolio
- Yes, we have defined objectives for a very limited part of our portfolio

Products and services with a focus on the 2030 Agenda

According to the analysis, 63.3% of banks have launched products, services or commercial initiatives based on the SDGs.

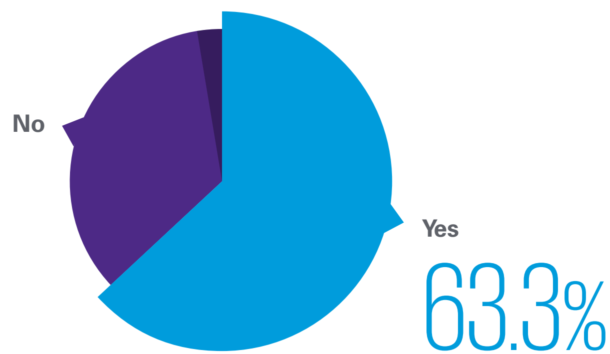
Financial products increasingly include bonds the purpose and proceeds of which directly contribute to the SDGs. Indirectly, green, social and sustainability bonds for projects that have an impact on the goals included in the 2030 Agenda are also popular.

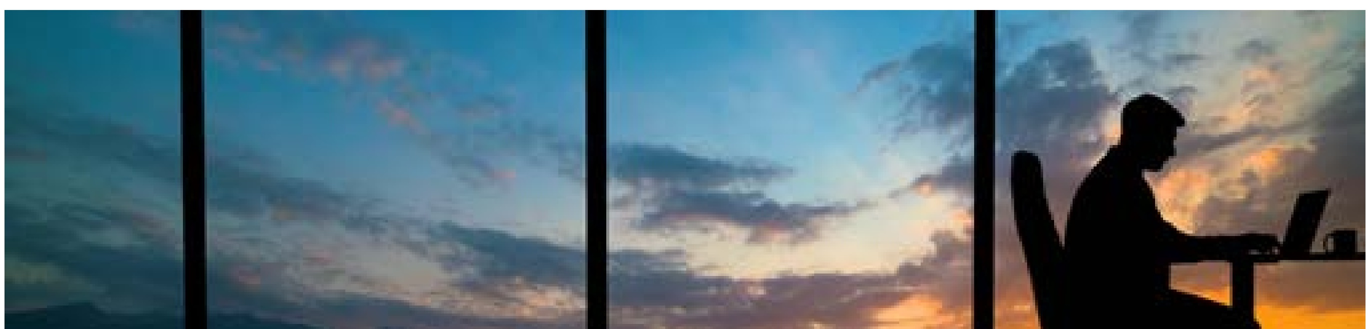
Other instruments that are aligned are sustainable investment funds, which integrate criteria for measuring ESG factors in their portfolios or thematic investments or those having an impact on an SDG or a similar purpose.

At retail level, the most common products focus mainly on the promotion of energy efficiency and renewable energies. They range from green mortgages to loans for the purchase of eco-friendly vehicles.

Has your bank launched any products, services or commercial initiatives inspired by or based on the UN Sustainable Development Goals?

Sample: 49 banks





Main challenges in implementing the SDGs

The lack of a standard methodology is one of the main problems hindering SDG implementation.

Almost two-thirds of participating banks point out that the lack of methodologies is one of the main issues hindering progress in the implementation of the SDGs.

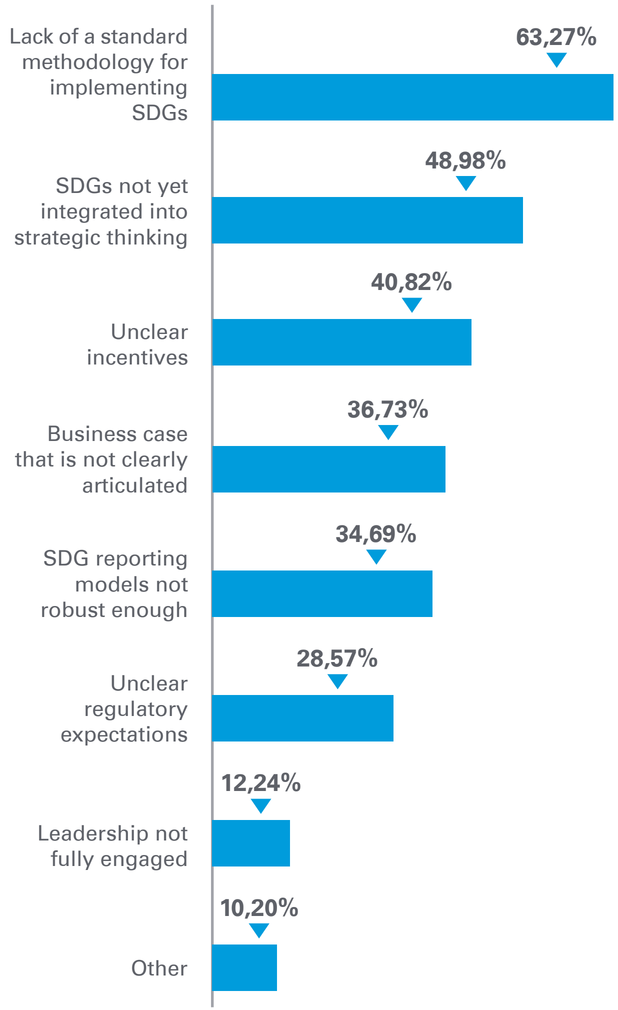
They also believe that the lack of integration of SDGs into strategic thinking and unclear incentives are also part of the problem.

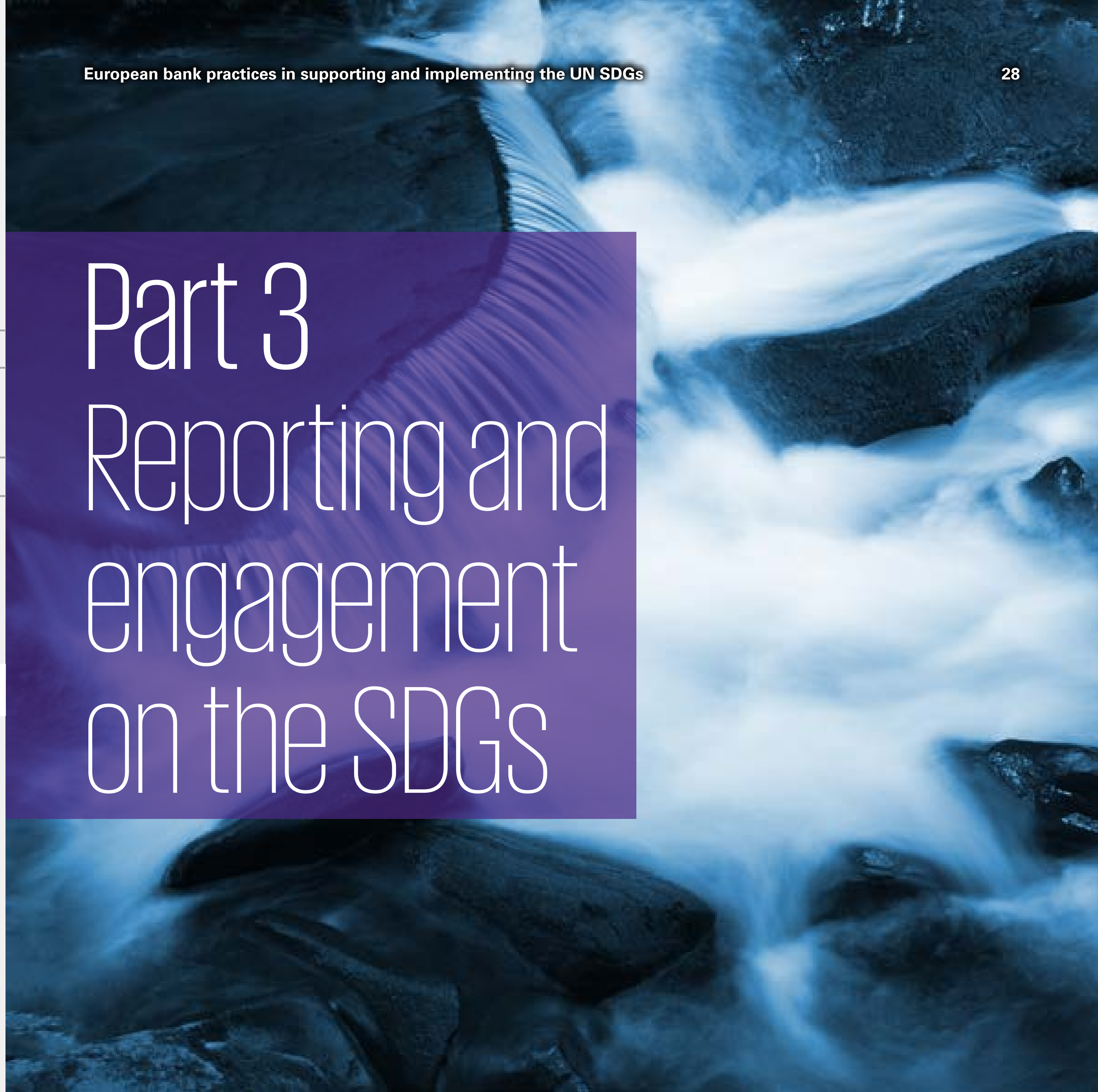
At this point, some banks are finding new incentives to implement the SDGs, especially those related to climate change. These are primarily driven by investor pressure and new regulation such as the EU Taxonomy or the Sustainable Finance Disclosure Regulation.

Additionally, some of the banks point out that they are finding it difficult to establish KPIs for the SDGs as these cover a broad spectrum of activities.

What, in your view, are the main difficulties banks face when trying to embed the sustainable development goals across their operations and activities?

Sample: 49 banks





Part 3 Reporting and engagement on the SDGs

Reporting and engagement on the SDGs

Measuring and reporting on the achievement of the UN Sustainable Development Goals to generate trust and create a positive impact among stakeholders.

Reporting on the contribution to the achievement of the 2030 Agenda is still mostly voluntary.

The inclusion of this type of information in corporate reports provides investors and other stakeholders with a clear picture of how the bank contributes to the achievement of the SDGs.

It is also important to note how, increasingly, information related to the banks' contribution is submitted to the boards of directors for approval.

A clear trend is also observed in terms of reporting these issues to the governing bodies on a periodic basis, usually annually.

Banks report on their contribution to the SDGs

More than half of participating banks publicly disclose their contribution to the SDGs as a part of their corporate reports.

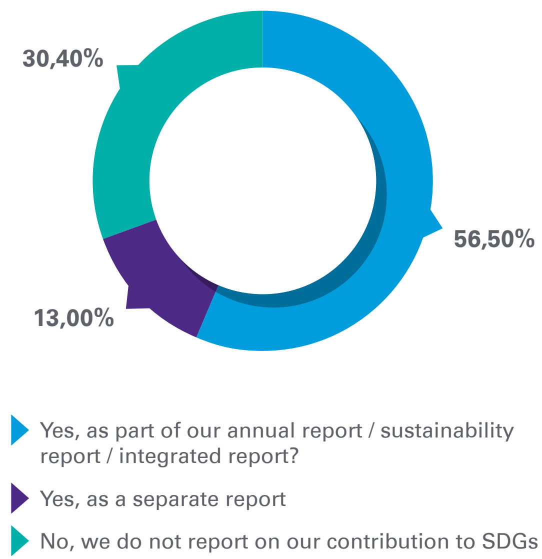
Reporting information on the contribution to SDGs could be useful from both an internal and an external perspective. Internally, it serves as an element to assess the bank's progress to achieving the commitments previously acquired, if any. Externally, it is an exercise in transparency and accountability to stakeholders of the bank's commitment to society.

Information on how financial institutions are contributing to the 2030 Agenda is generally presented in the annual corporate sustainability reports published by companies. One of the most common ways of reporting this information is to present the company's strategy and its linkage to the SDGs prioritised by the company, as well as the main KPIs and targets defined to measure performance.

Some of the banks state that they also issue a separate report on their SDG contribution. In this case, the report may be motivated by the obligation to present more specific and accurate information, for example linked to the issuance of an SDG bond.

Does your bank specifically report on its contribution to the SDGs?

Sample: 46 banks



Does the Board approve the information on the SDGs?

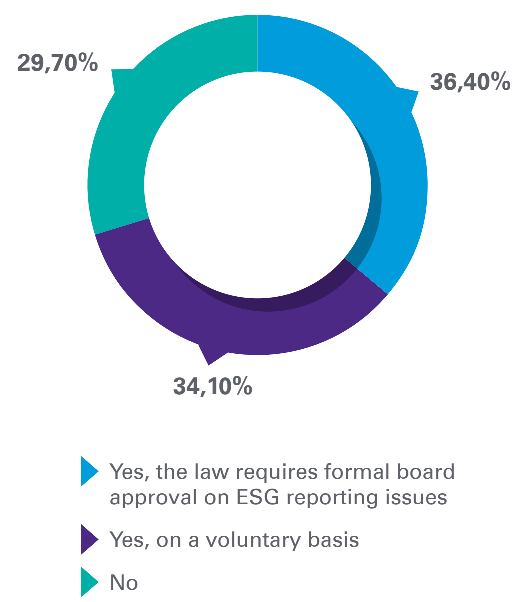
Including information on the company's contribution to the SDGs and its approval by the board in corporate reports is becoming more and more frequent.

Voluntary approval by the board of directors of information on the bank's contribution to SDG implementation could be considered an example of good practices. By doing so, companies show their strategic focus on the 2030 Agenda while demonstrating their commitment to society and their long-term goal of value creation.

However, the approval could be conditioned by a compulsory regulation to include non-financial information in annual reports, as is the case of Directive 95/2014 on non-financial information (currently under review). Nonetheless, it is worth mentioning that although the directive does not specifically refer to SDG reporting, some of the national laws refer to the possibility of using the SDG framework to provide the required information.

Is the information reported on SDGs formally approved by your bank's board of directors?

Sample: 44 banks



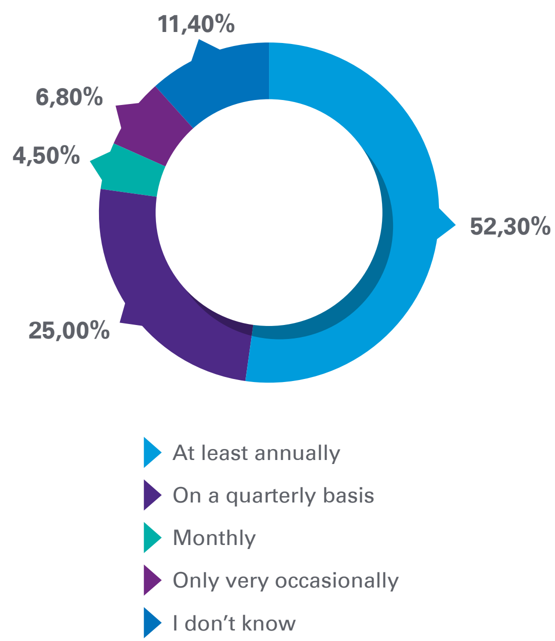
How often are SDGs reported to the Board?

For the most part, SDG issues are reported to the board on an annual basis.

More than half of the participating banks in the survey indicate that the chief sustainability/responsible banking officer reports on SDG implementation issues to the board of directors at least annually. It is worth noting that a majority of the banks that have established indicators to measure their contribution to the SDGs submit a report to the board of directors on an annual basis.

Does your bank specifically report on its contribution to SDGs?

Sample: 44 banks



Engagement and dialogue on SDGs with stakeholders

The participating banks highlight employees and customers as the most important stakeholders with whom to engage.

Amongst the many material issues surrounding stakeholder expectations, the challenges of SDG implementation are often top of mind.

The banks surveyed highlight employees and customers as the most relevant stakeholders to engage with as they are the main pillars underpinning their business development.

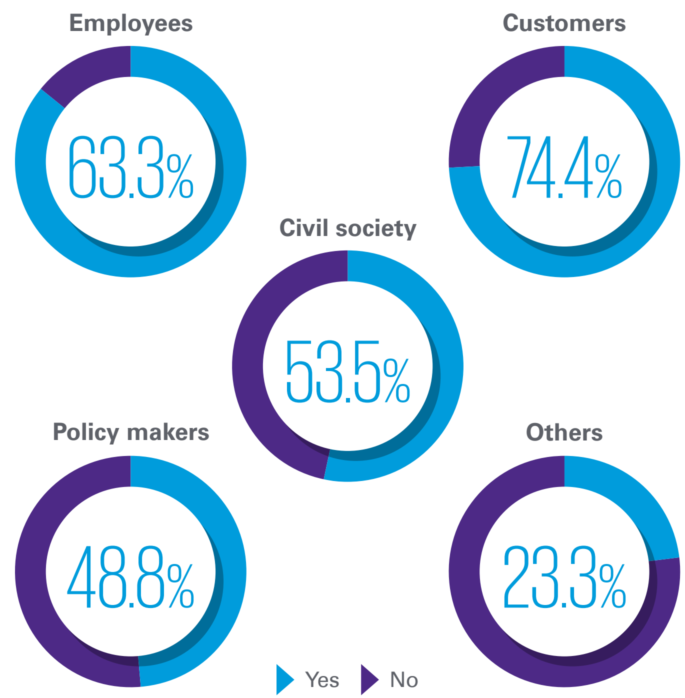
However, there is also growing interest in some other stakeholders such as:

- civil society, as banks need to address their impact on the wider society in which they are inserted (open dialogue is also critical);
- policy makers and regulators, as the interest of these groups lies in ensuring that ESG issues are being considered by the financial sector.

Regarding the others stakeholders mentioned, the participating banks mainly refer to listed suppliers, rating agencies as well as academic institutions, sustainability experts and opinion leaders.

Does your bank engage with any of the following stakeholders on SDG issues?

Sample: 43 banks



Project managers

Daniel Bouzas
Policy Adviser (Former)
European Banking Federation

José Manuel Lemus
KPMG Sustainability Manager (Former)

Contact us

Burçak Inel
Director of Financing Growth
European Banking Federation

T: +32 496 34 47 88
E: b.inel@ebf.eu

Ramón Pueyo
KPMG Impact Partner
Sustainable Transformation

T: +34 91 45 66 017
E: rpueyo@kpmg.es

kpmg.es

ebf.eu

The European Banking Federation is the voice of the European banking sector, bringing together national banking associations from across Europe. The federation is committed to a thriving European economy that is underpinned by a stable, secure and inclusive financial ecosystem, and to a flourishing society where financing is available to fund the dreams of citizens, businesses and innovators everywhere

For more information visit www.ebf.eu

Twitter handle: @EBFeu