



SUSTAINABILITY REPORT

Sustainability – how has the financial sector progressed?

6 mars 2024



Summary

Identifying and managing risks is a fundamental task for firms in the financial sector. However, observations from our supervision indicate that these firms do not fully identify or integrate sustainability risks. We are seeing, though, that firms are increasingly highlighting these risks, and the roadmap's objective of resilience to sustainability risks may still be viewed as having been somewhat strengthened.

Firms need to identify and manage the sustainability risks that could have a direct impact on their operations (outside-in perspective), but at the same time they have to consider if their operations and investment decisions are having an impact on the environment and people (inside-out perspective). Many firms today consider both of these perspectives in their governance, thereby contributing to the objective of improving confidence in sustainable finance.

Our analyses clearly demonstrate that there are situations where customers are at risk of receiving products that are not aligned with their sustainability preferences. In the taxonomy reporting we have seen varying approaches, making comparison between firms more difficult. Therefore, there is room for improvement in relation to the objective of providing reliable, relevant and comparable sustainability-related information. A general conclusion from our supervision activities is that many firms have come quite far, but more needs to be done. We would like to highlight three areas in particular:

Time to take action based on the current rules: A lot of new regulation has now entered into force or will soon go into effect. Therefore, firms need to transition from the analysis and preparation stages to starting to take action based on the current regulatory framework. In parallel with new regulation entering into force, FI will focus on risk-based and forward-looking supervision.

Counteract illegal financial flows: In order to counteract the possibilities for organised crime to benefit from illicit gains, there needs to be effective prevention efforts. The current deterioration in global security also requires financial firms to continue to work on their compliance with international sanctions and prevent terrorist financing. It is also important for firms to make individual assessments about the risks associated with each individual customer when applying the anti-money laundering regulations in order to avoid contributing to financial exclusion.

Continue integrating sustainability: Integration is a necessity if firms are to successfully comply with the regulatory framework on sustainable finance – where corporate governance is the natural starting point. Because both climate and environmental risks are expected to increase going forward, there is a need for forward-looking tools, for example transition plans and scenario analyses. It is

important that tools like these are integrated operationally as soon as possible. It is equally important to meet the need for increased knowledge and competence at the board level, among senior management and in all relevant functions.