

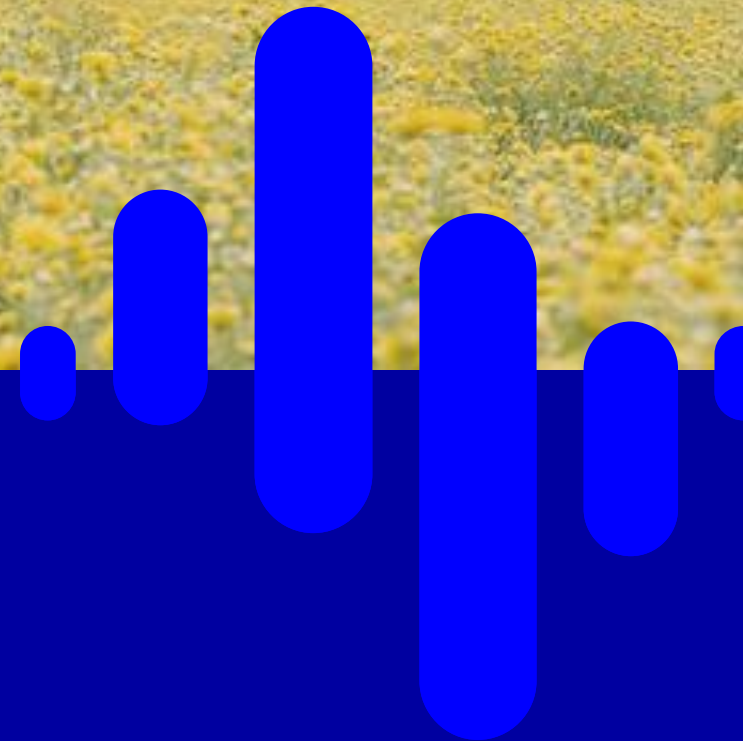


Nordea Business Insight Report 2019

New perspectives on growth

Nordea Business Banking, ESG focus, including Nordic averages

Questions about survey and presentation: Annika Vangstad or Helena Flink



Content

❖ About the study

❖ Nordic perspective

- ESG performance – perceived and actual

We need a new kind of reporting

Today the world is facing many challenges affecting companies through regulations, changing customer demand and new competition.

We think that business leaders and entrepreneurs will be key to solve these issues, by focusing not only on economic growth but also on ESG performance.

We believe societies at large would benefit from a new kind of reporting, one that includes people, profit & planet.



About the survey

- ❖ Main purpose of study is to capture Nordic corporates perceptions and attitudes towards growth the coming 6 months and perceived and actual performance on ESG. This report focus on the ESG results.
- ❖ Data collection during 8th of August and 9th of September 2019. Quantitative survey sent out to Norstat's Nordic panel.
- ❖ Target group for the study is corporates of all sizes in the Nordics. The respondent base totaled 2145 respondents distributed as follows: Sweden 615, Denmark 464, Norway 530 and Finland 536.
- ❖ No data is weighted, except on macro questions where company size and its share of turnover has been used as weight. Nordic average in this report is a straight average of country results, used for country comparison, not a representative value of the Nordic market as such.
- ❖ The study is unique, to our knowledge, in its ability to distinguish results between small, medium and large sized companies, its Nordic outlook and its themes.

Sampling and representativeness

Respondents – divided per country and company size (based on # of employees)

Country	Total	Company size					
		0-19		20-100		100+	
			%		%		%
Denmark	464	235	51%	117	25%	112	24%
Finland	536	283	53%	133	25%	120	22%
Sweden	615	347	56%	132	21%	136	22%
Norway	530	260	49%	124	23%	146	28%
Total Nordic	2 145	1 125	52%	506	24%	514	24%

- Data is sampled in order to secure representativeness of defined company sizes and country results.
- Through the report we report results on country and the below defined company sizes
 - ❖ Small sized: 0-19 employees
 - ❖ Medium sized: 20-100 employees
 - ❖ Large sized: 100+ employees

Employment in manufacturing or service sector – respondents versus country employment statistics

Respondents in study	DK	FI	SE	NO
Manufacturing	17%	16%	17%	19%
Service	81%	82%	81%	80%
Other	2%	1%	2%	1%
Country statistics*	DK	FI	SE	NO
Manufacturing	19%	22%	18%	19%
Service	79%	74%	80%	79%
Agriculture	2%	4%	2%	2%

*) Statista.com, 2018

- Respondents in survey, depending on if they work within the service or manufacturing sector, are in line with country employment.

Content

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- ❖ Nordic perspective

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Key Findings sustainability

The Net ESG Indicator shows low perceived performance rate on ESG criteria across the Nordics

- The companies report big differences depending on country and size in how far they have come to integrate sustainability into their operations. Finnish, and to some extent Swedish, companies report a higher integration of sustainability into their operations, compared to Norway and Denmark. Also Large sized companies, compared to smaller sized, have to a higher extent incorporated sustainability into their operations, strategically as well as operationally.
- Finland reports the highest perceived ESG performance, while Denmark reports the lowest. On average large sized companies show highest ESG values, surprisingly Finland instead reports highest performance by small sized companies.
- Large share of the companies express low knowledge about their risk and development areas when it comes to ESG, the Governance area standing out as the area with the lowest insights. Smaller companies being least aware of the risks.
- Across the Nordics we record a well-documented bias between how important companies think that sustainability is and what they perceive they do. A larger share of the large sized companies thinking that sustainability is important, while the smaller sized companies have a bigger gap between what they think and do.
- Customer demand and brand are the biggest reasons for focusing on sustainability. Small sized companies highlighting customer demand as top reason while medium- och large sized companies highlighting customer reputation and brand as top reason.

Definition of ESG areas in study

Environmental areas	Social areas	Governance areas
<ul style="list-style-type: none">• Climate Change & Carbon Risk• Emissions & Discharges• Use of Raw Materials• Water & Energy• Biodiversity & Land-use• Generation of Wastes & Noise	<ul style="list-style-type: none">• Human Rights• Labor Rights• Equal Opportunities• Occupational Health & Safety• Consumer Protection and Product Safety	<ul style="list-style-type: none">• Transparency• Reporting on Material Issues & Audited Reports• Board Composition and independence• Accounting risk & Audit Committee Structure• Bribery and Corruption• Executive Compensation & Aggressive tax planning• Ownership structure

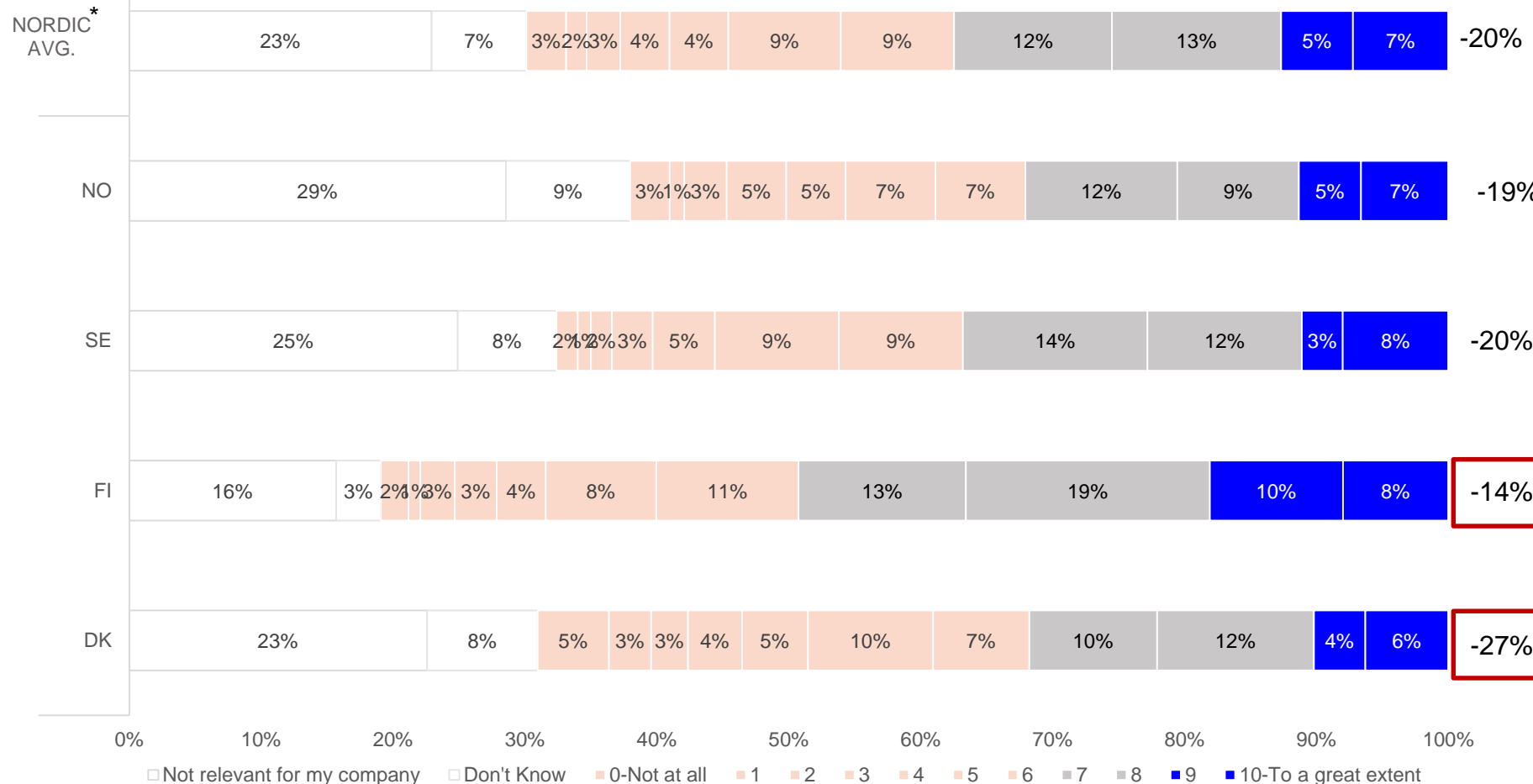
- ESG - Environmental , Social and Corporate Governance are three central factors in measuring and evaluating the sustainability of a company or business. The criteria enables a better understanding of the future financial performance (and risk) of a business.
- Financial institutions and investors have for a long time looked beyond traditional financial measures, and integrated ESG analysis, when evaluating companies.
- Integrating ESG even more in investment as well as financial decisions will be crucial going forward, making it even more important for companies to integrate ESG into its operations.

Countries show room for improvement regarding perceived performance on environmental areas (ESG)

Performance on Environmental areas (ESG)

Respondents: DE=464, FI=536, SWE=615, NO=530

PP diff*



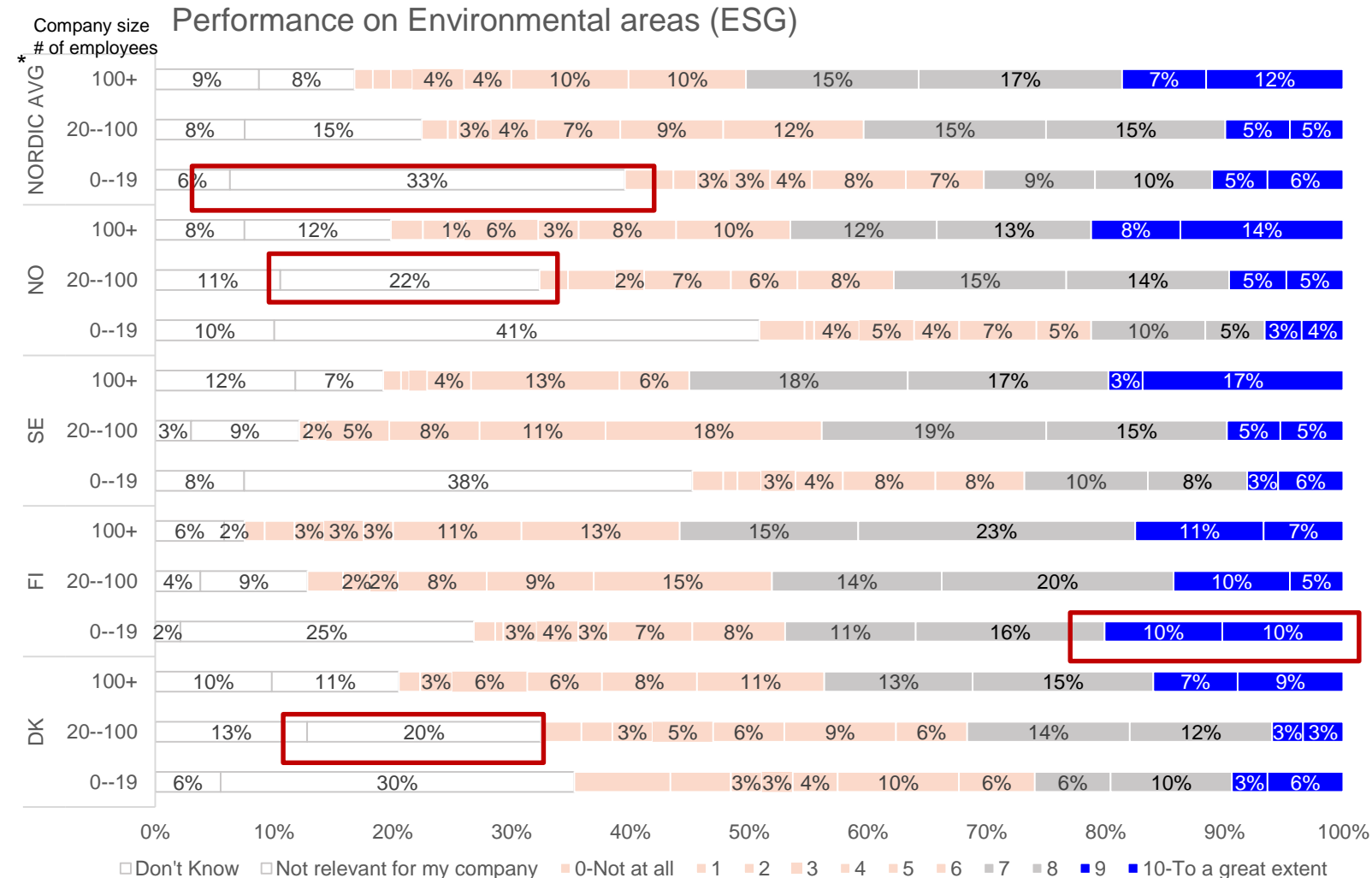
❖ All countries show room for improvement when reporting their perceived performance on environmental areas (as part of ESG).

❖ Finland reports the highest perceived performance with a percentage point difference of -14% while Denmark the lowest with a percentage point difference of -27%.

❖ All countries reporting negative pp differences indicating that there is a higher share of companies expressing low perceived performance vs high.

Perceived performance on environmental areas increases with size of company(ESG)

Respondents: DE=464, FI=536, SWE=615, NO=530

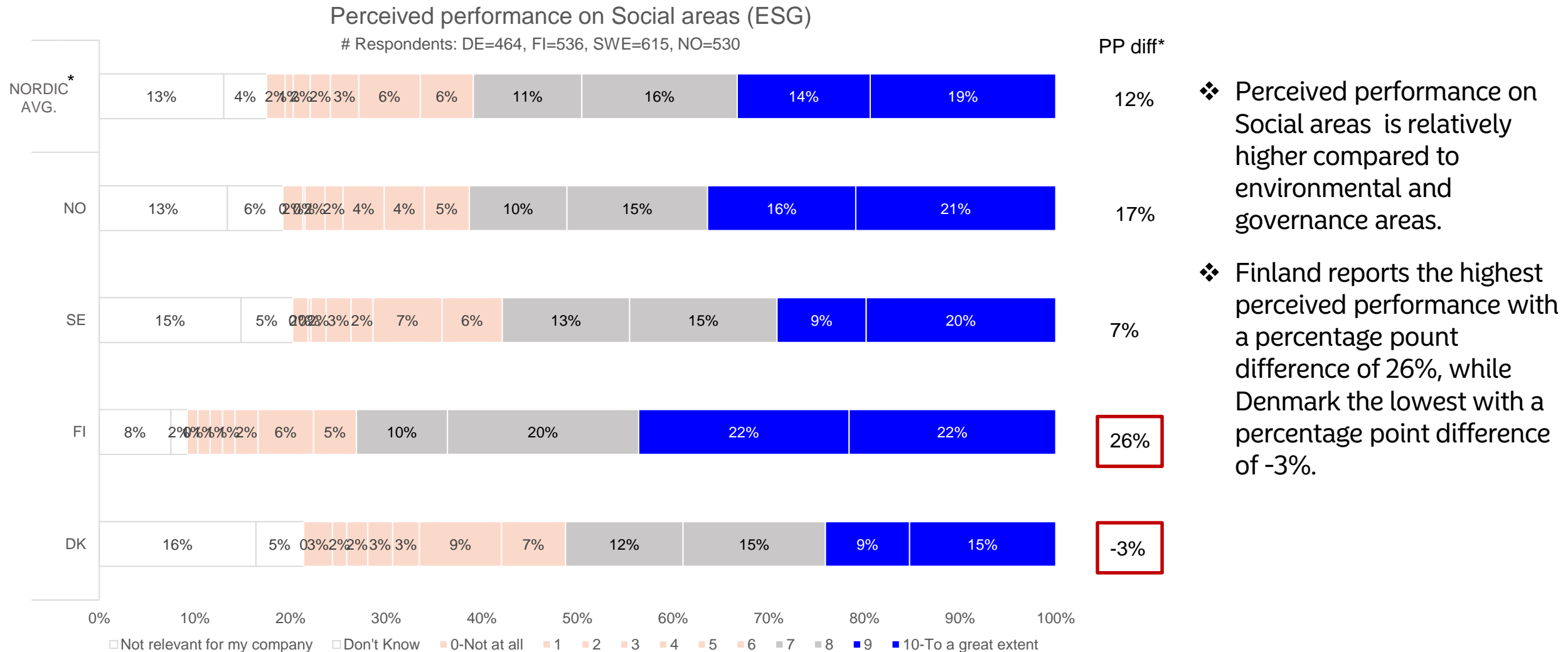


- ❖ A large share of the small companies do not consider the environmental areas as defined by ESG is relevant for their company, in Denmark and Norway there is also a relatively high share of the mid sized companies claiming that it is not relevant.

- In average 33% of small companies in the Nordic say that environmental areas within ESG is not relevant.

- ❖ Perceived performance increases with size of companies, except for Finland where smaller sized companies have the highest perceived performance (!)

Finland reports the highest perceived performance on social areas, while Denmark the lowest (ESG)

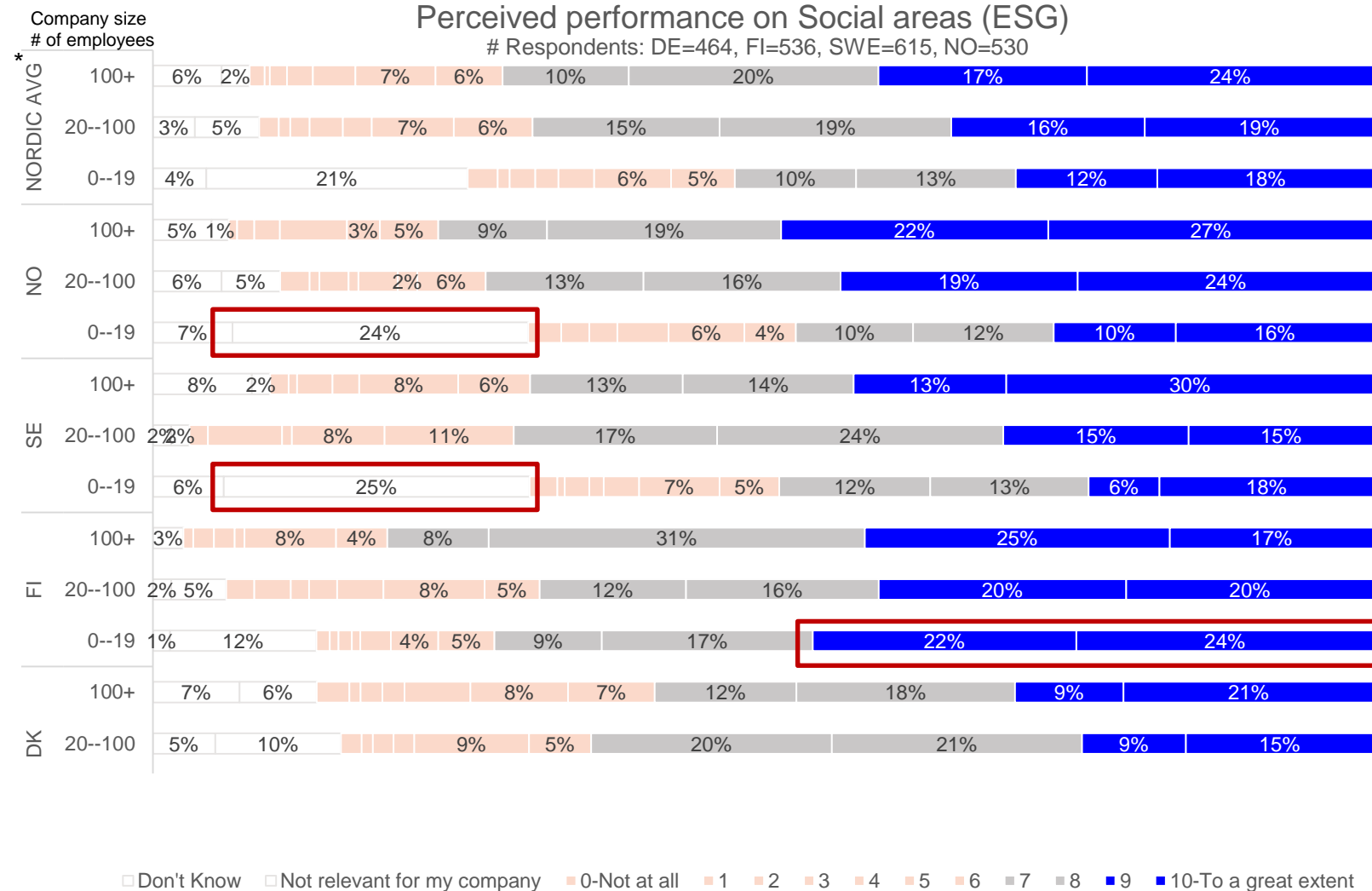


- ❖ Perceived performance on Social areas is relatively higher compared to environmental and governance areas.
- ❖ Finland reports the highest perceived performance with a percentage point difference of 26%, while Denmark the lowest with a percentage point difference of -3%.

11 * Compare NPS calculation method, share of companies giving a high value (9 and 10) subtracted for companies giving a low value (0-6)

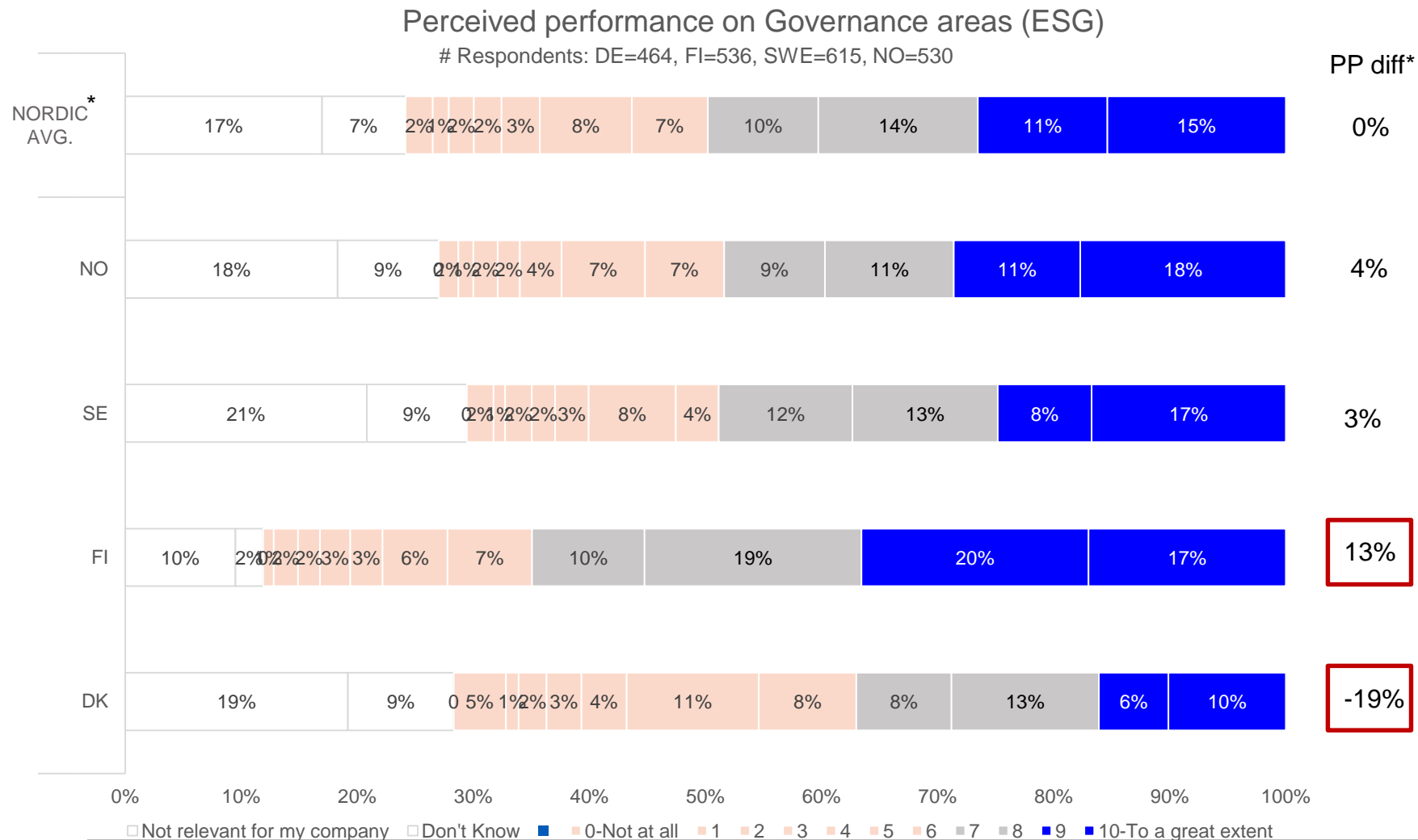
** Nordic average: straight average of country values, not a representative value of all companies in the Nordics since all countries have the same weight.

Perceived performance on social areas increases with size of company(ESG)



- ❖ Perceived performance increases with size of companies, except for Finland where smaller sized companies have the highest perceived performance (!)
- ❖ A large share of the small companies in Norway and Sweden do not consider the social areas to be relevant for their company.

Finland reports the highest perceived performance on governance areas, while Denmark the lowest (ESG)

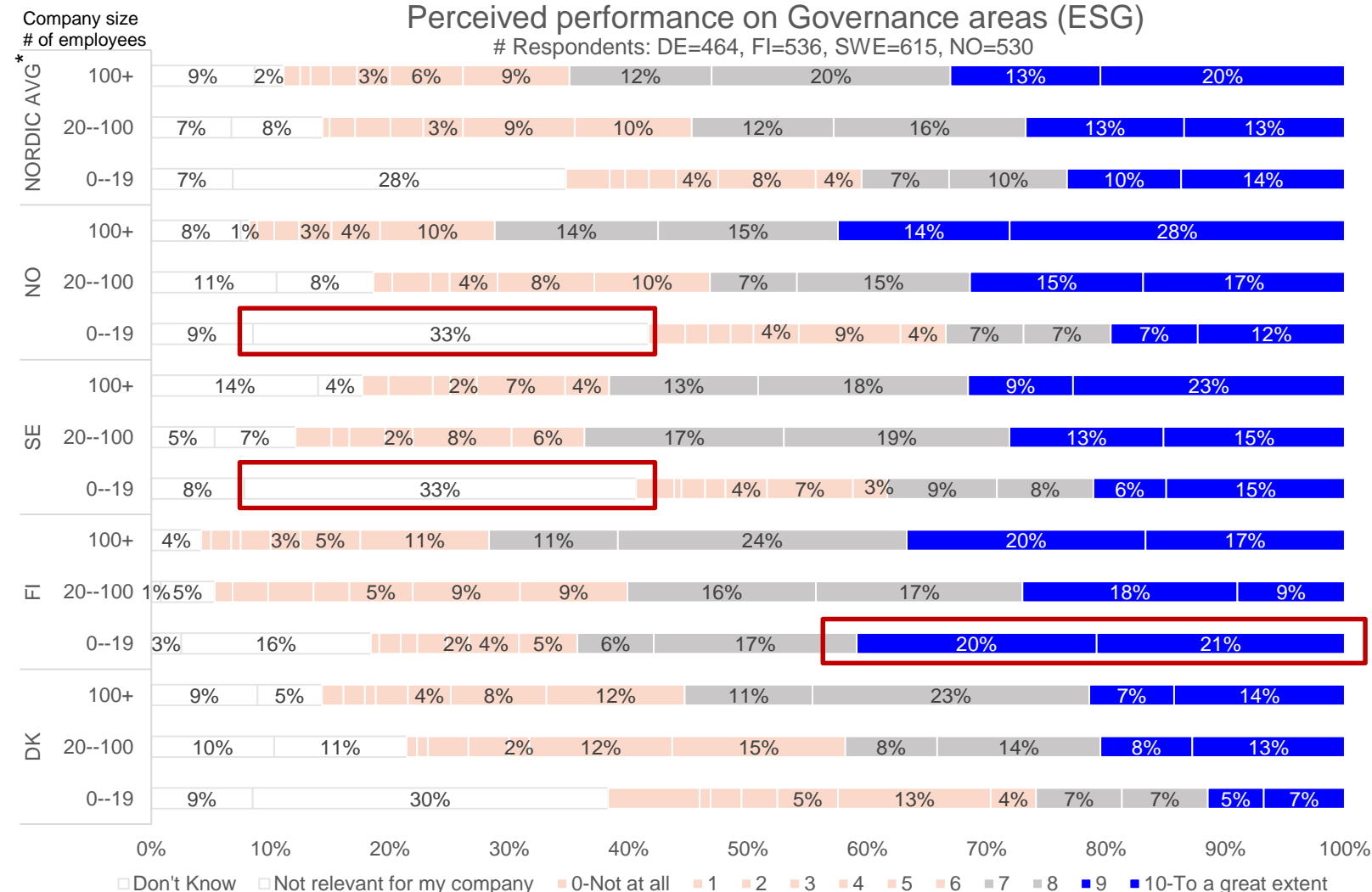


❖ Finland reports the highest perceived performance on governance areas, while Denmark the lowest

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Perceived performance on governance areas increases with size of company(ESG)

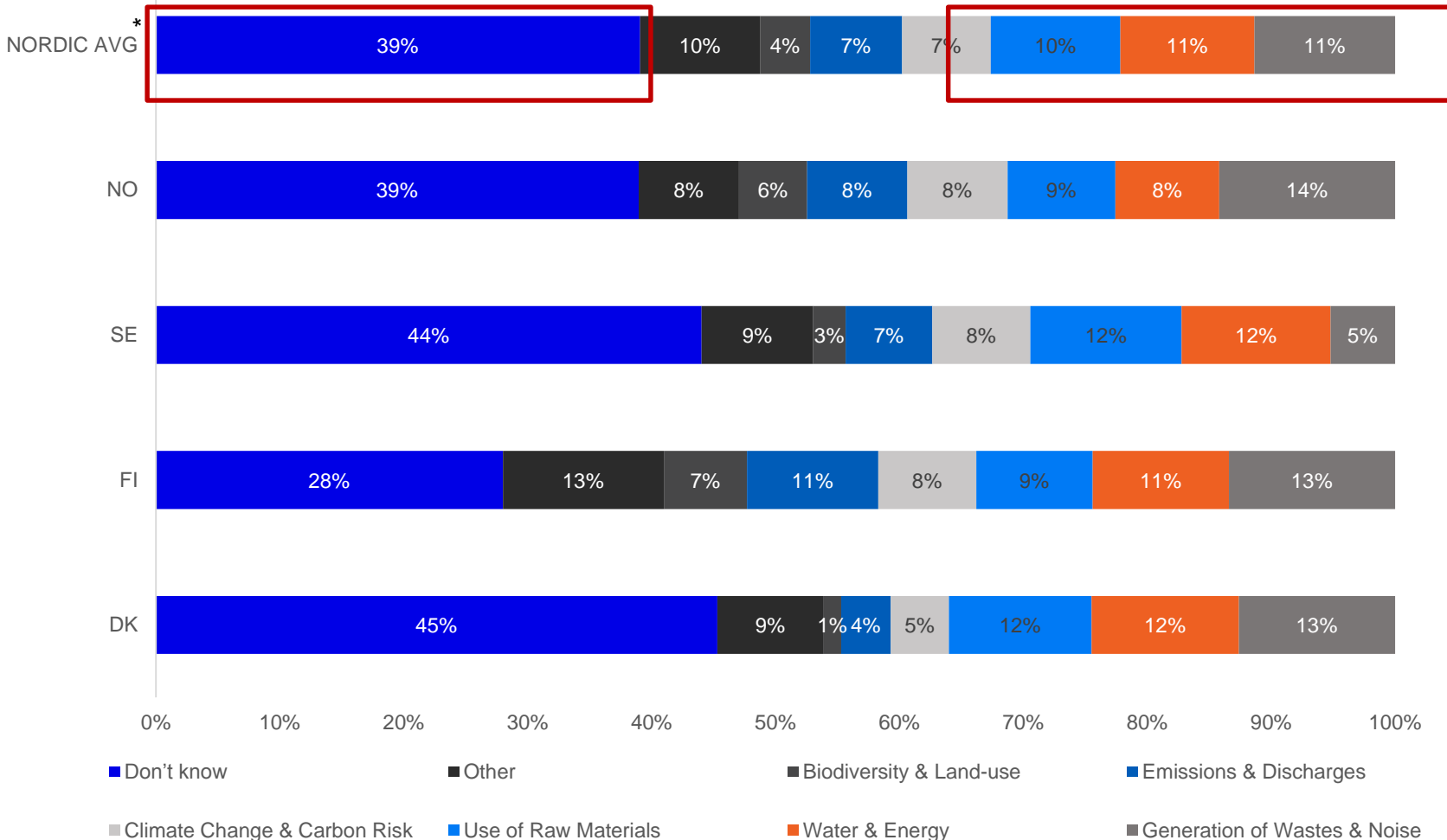


- ❖ Perceived performance increases with size of companies, except for Finland where smaller sized companies have the highest perceived performance (!)
- ❖ A large share of the small companies in Norway, Sweden and Denmark do not consider governance to be relevant for their company.

A large share of companies claim they don't know about their risk and development areas when it comes to the environmental area (ESG)

Environmental - where do you consider your biggest risk/development areas?

Respondents: DE=464, FI=536, SWE=615, NO=530

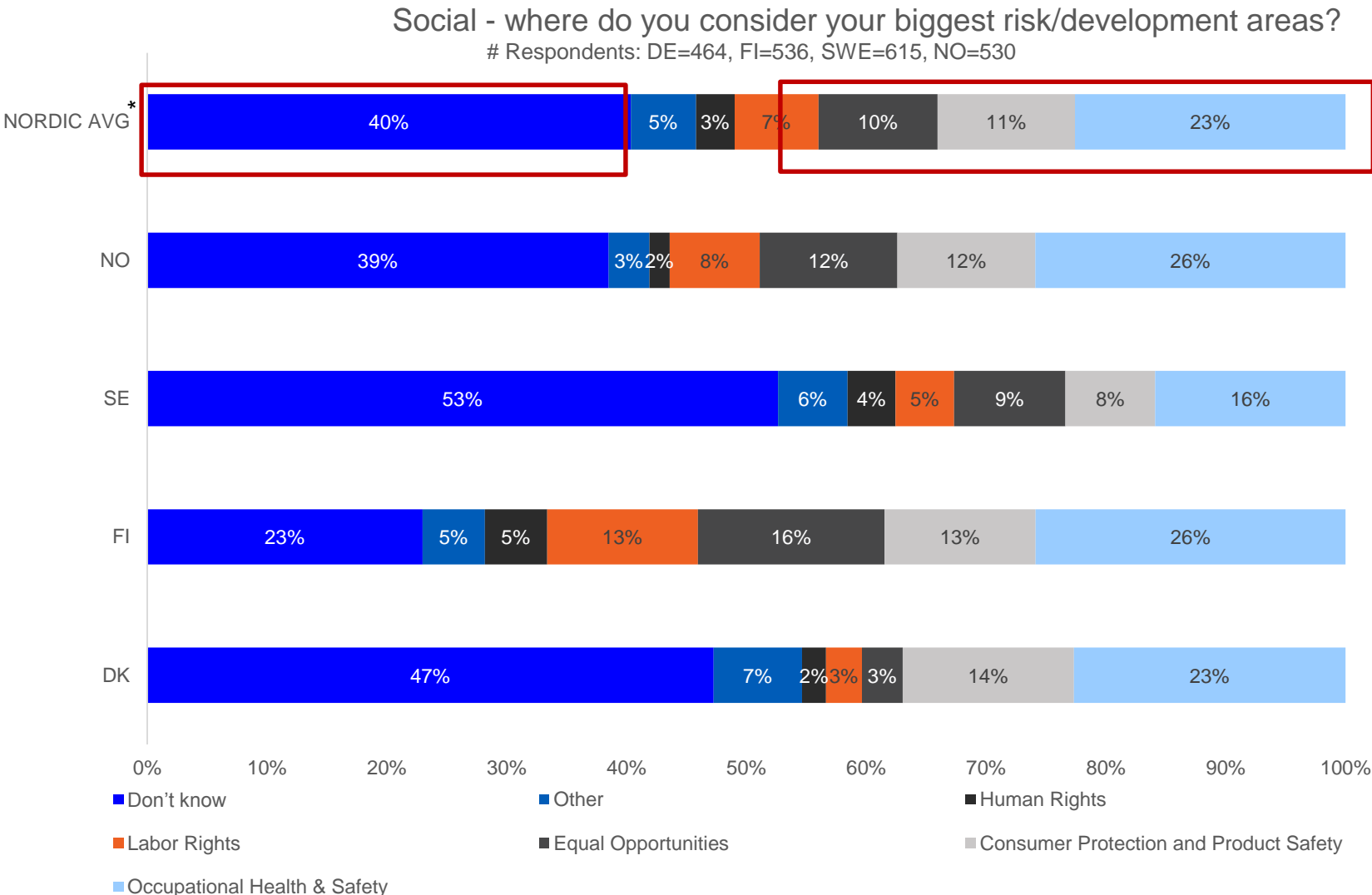


❖ A large share of the companies report low knowledge about their risk and development areas when it comes to the environmental areas within ESG.

- In average 39% claim that they do not know about their risk- and development areas, Sweden and Denmark reporting even higher shares of 44% and 45% respectively.

❖ Top three risk and development areas mentioned, based on country averages, is: generation of wastes and noise, water & energy and use of raw materials.

A large share of companies report low knowledge about their risk and development areas when it comes to the social area (ESG)



❖ A large share of the companies report low knowledge about their risk and development areas when it comes to the social areas within ESG.

- In average* 40% claim that they do not know about their risk- and development areas, Sweden and Denmark reporting even higher shares of 53% and 47% respectively.

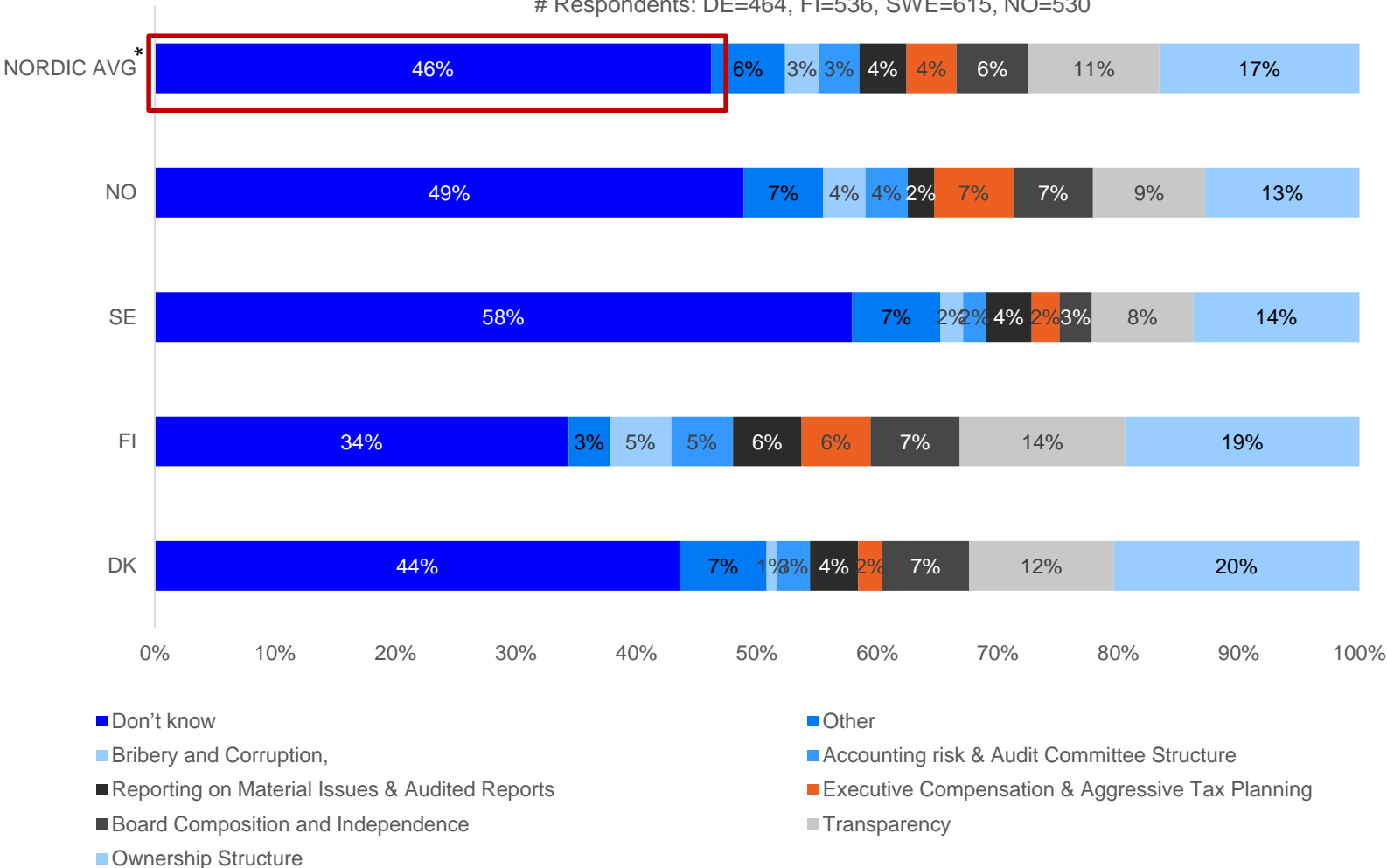
❖ Top three development area mentioned is: Occupational health and safety, Consumer Protection and Product safety and Equal opportunities.

- Denmark being the country where only 3% highlight equal opportunities, compared to Finland where 16% highlight equal opportunities.

A large share of companies report low knowledge about their risk and development areas when it comes to the governance areas (ESG)

Governance - where do you consider your biggest risk/development areas?

Respondents: DE=464, FI=536, SWE=615, NO=530



❖ A large share of the companies report low knowledge about their risk and development areas when it comes to the governance areas within ESG.

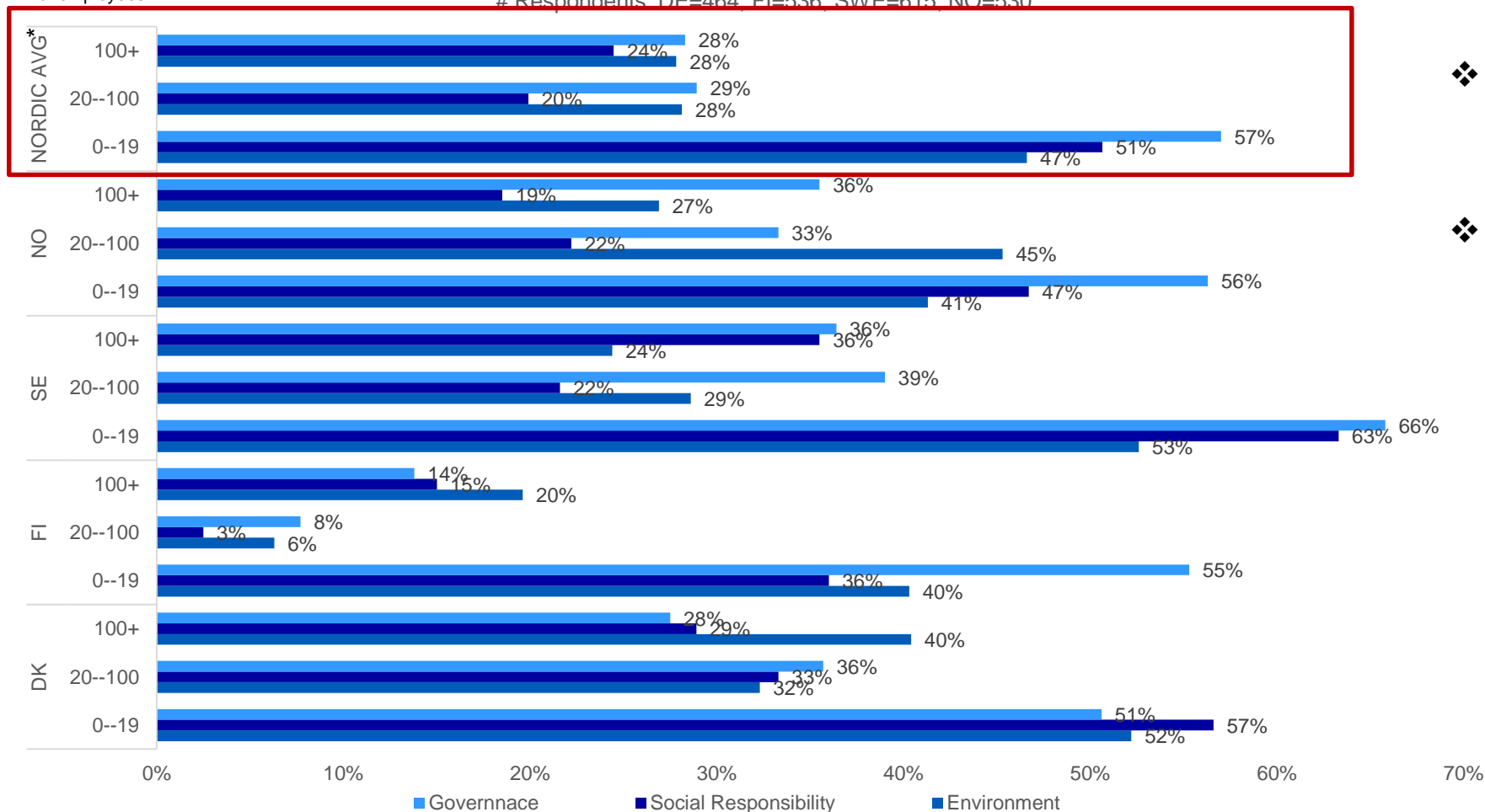
- In average* 46% claim that they do not know about their risk- and development areas, Sweden reporting even higher shares of 58%.

❖ Top three risk & development area mentioned is: Ownership and structure, transparency and board composition and independence.

Small sized companies report the lowest knowledge when it comes to ESG related risk and development areas

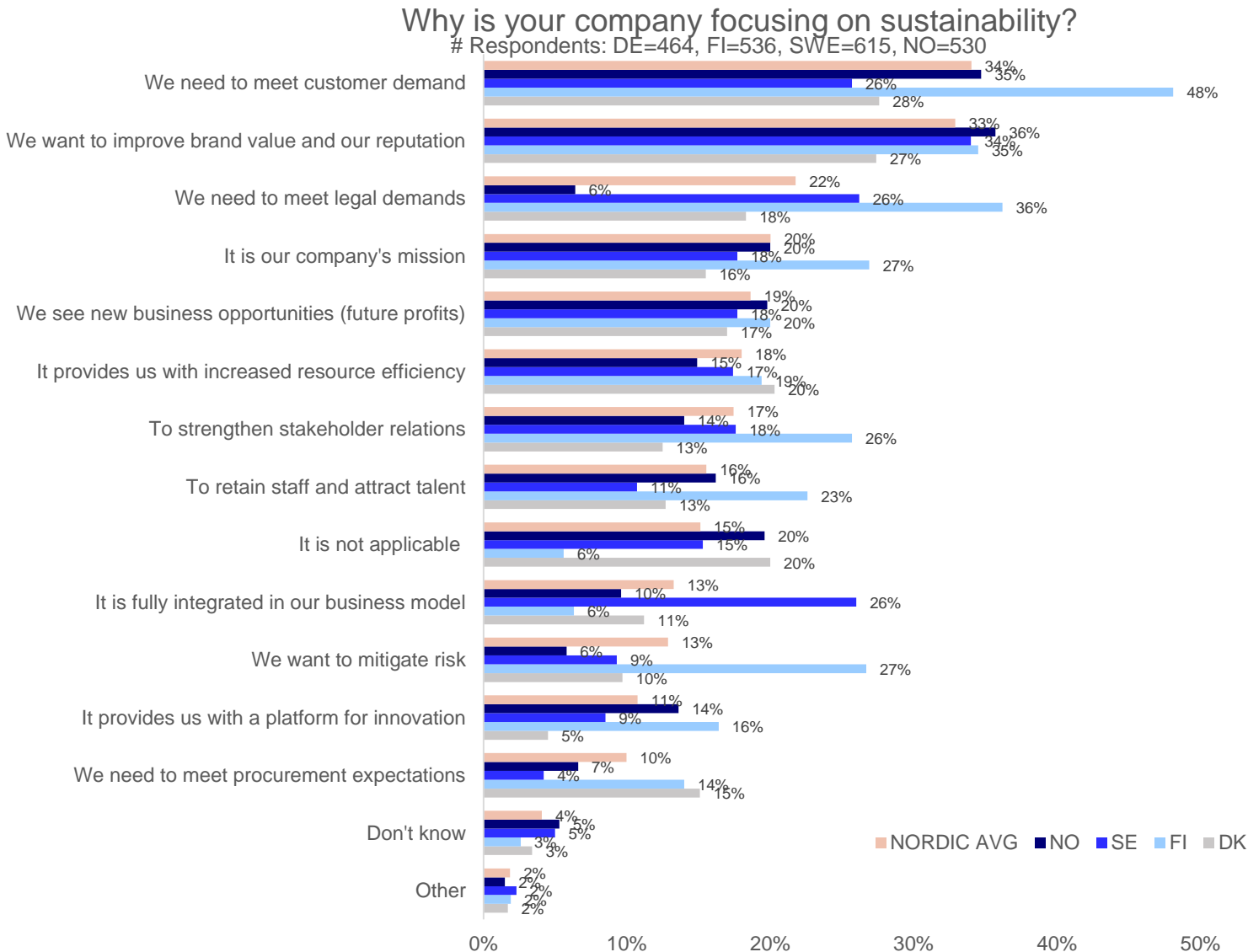
Share of companies that have answered that they do not know their risk areas when it comes to Environmental, Social and/or Governance

Respondents: DE=464, FI=536, SWE=615, NO=530



- ❖ A larger share of small sized companies report low knowledge of risk and development areas when it comes to ESG
- ❖ The Nordic average* indicates that the Governance area stands out as the area where the fewest companies has knowledge about their risk and development areas
 - But the countries differ, Denmark fx that instead show lower knowledge within social responsibility (smaller companies) and environment (large companies)

Customer demand is the biggest reason for focusing on sustainability

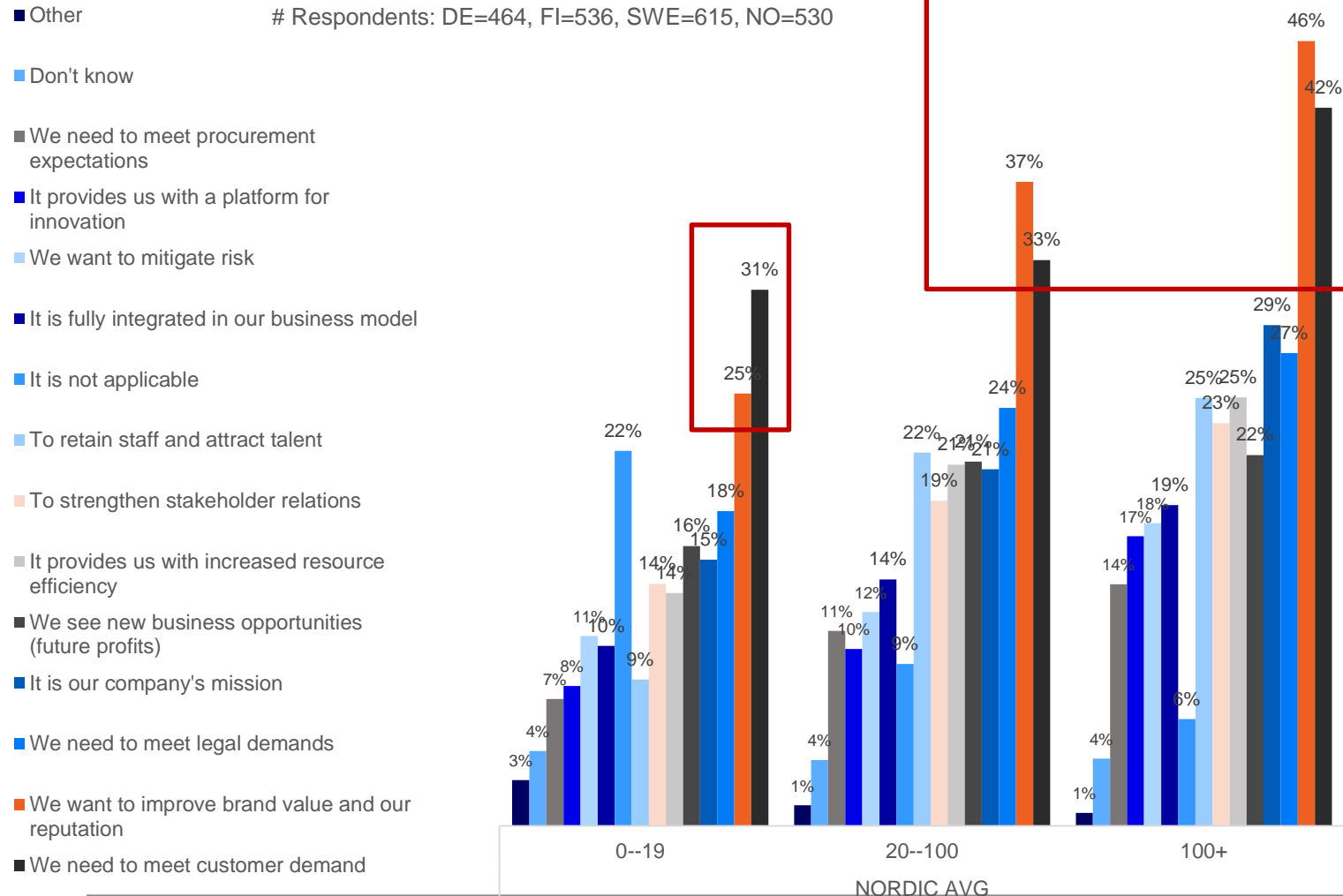


- ❖ The Nordic average* indicate customer demand as a top reason for focusing on sustainability, next comes brand and legal demand
- ❖ To be noted is that a higher share of the Finnish and Swedish companies mention legal demand compared to the other countries - in Norway only 6% mention legal demand.
- ❖ A larger share of the Finnish companies also mention mitigate risk as a reason to focus on sustainability (27%).

Brand and reputation being biggest reason for focusing on sustainability for larger sized companies

Why is your company focusing on sustainability, comparison between company sizes, Nordic averages?

Respondents: DE=464, FI=536, SWE=615, NO=530

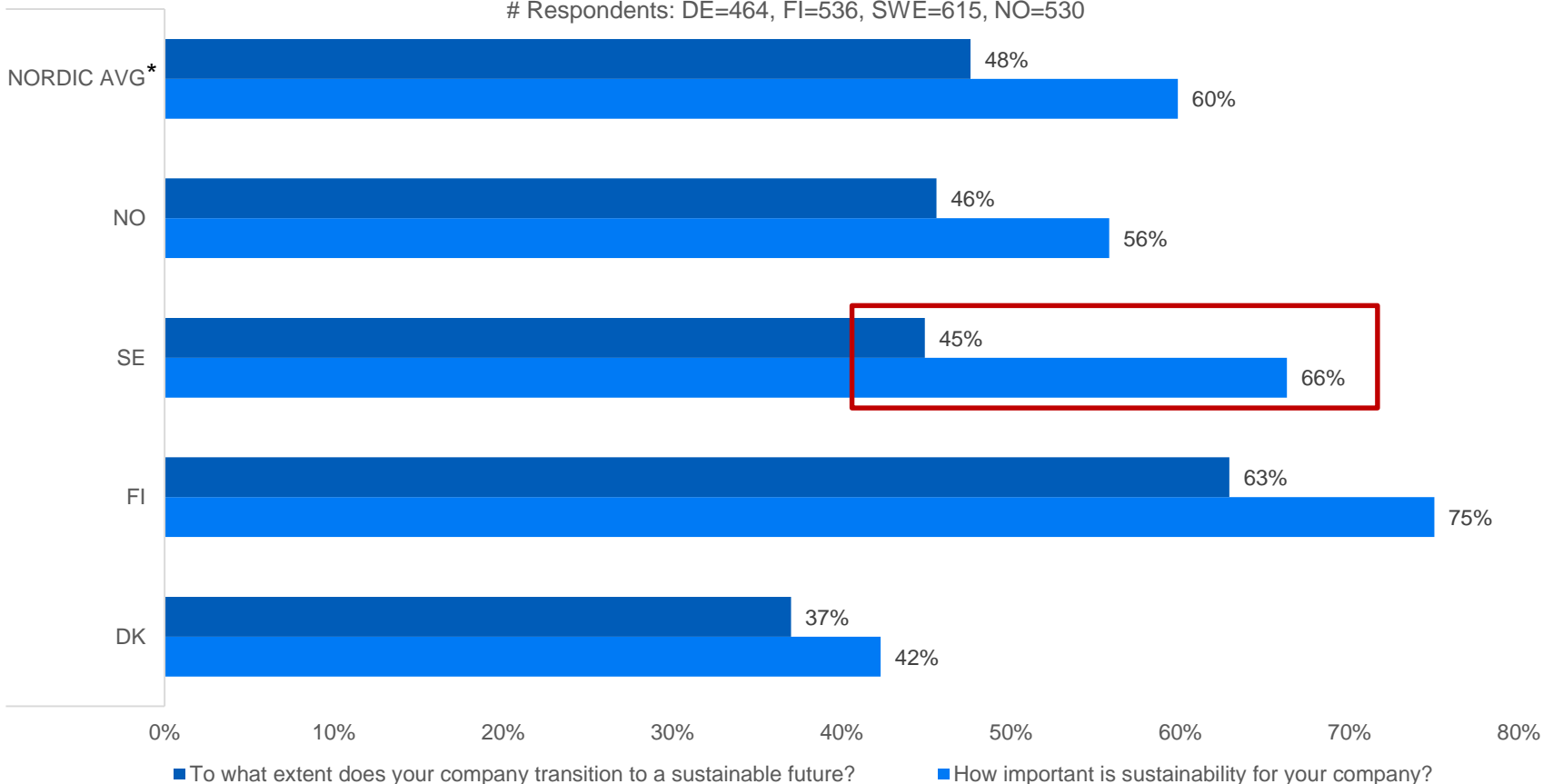


❖ When comparing between company sizes, the Nordic average* shows that large and medium sized companies report brand value and reputation as top reason, while small sized companies report customer demand.

Across the Nordic we report a well documented bias between how important companies think sustainability is and how they have transitioned

Behavioral and attitude gap - the difference in perceived importance of sustainability and perceived transition, scale: top boxes*

Respondents: DE=464, FI=536, SWE=615, NO=530



❖ Biggest attitude behavioral gap is reported for Sweden, and the smallest for Denmark.

- 66% of respondents in Sweden thinking that sustainability is very important, but only 45% think that they are performing accordingly.

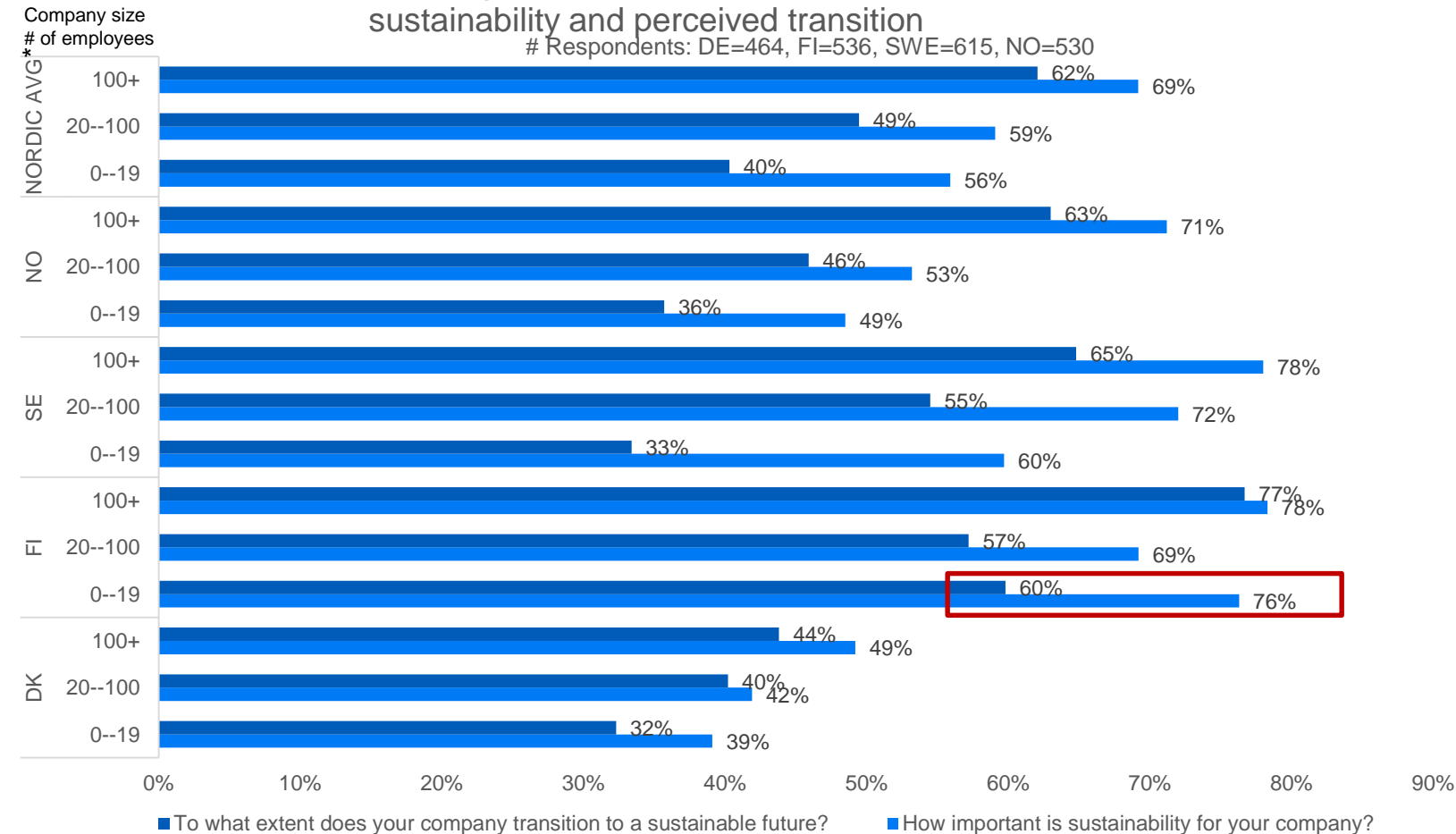
21 * 4 or 5 on a scale where 1=Not at all and 5= to a great extent

**Nordic average: straight average of country values, not a representative value of all companies in the Nordics since all countries have the same weight.

The “attitude – behavioural gap” grows as the size of the company gets smaller

Behavioral and attitude gap - the difference in perceived importance of sustainability and perceived transition

Respondents: DE=464, FI=536, SWE=615, NO=530

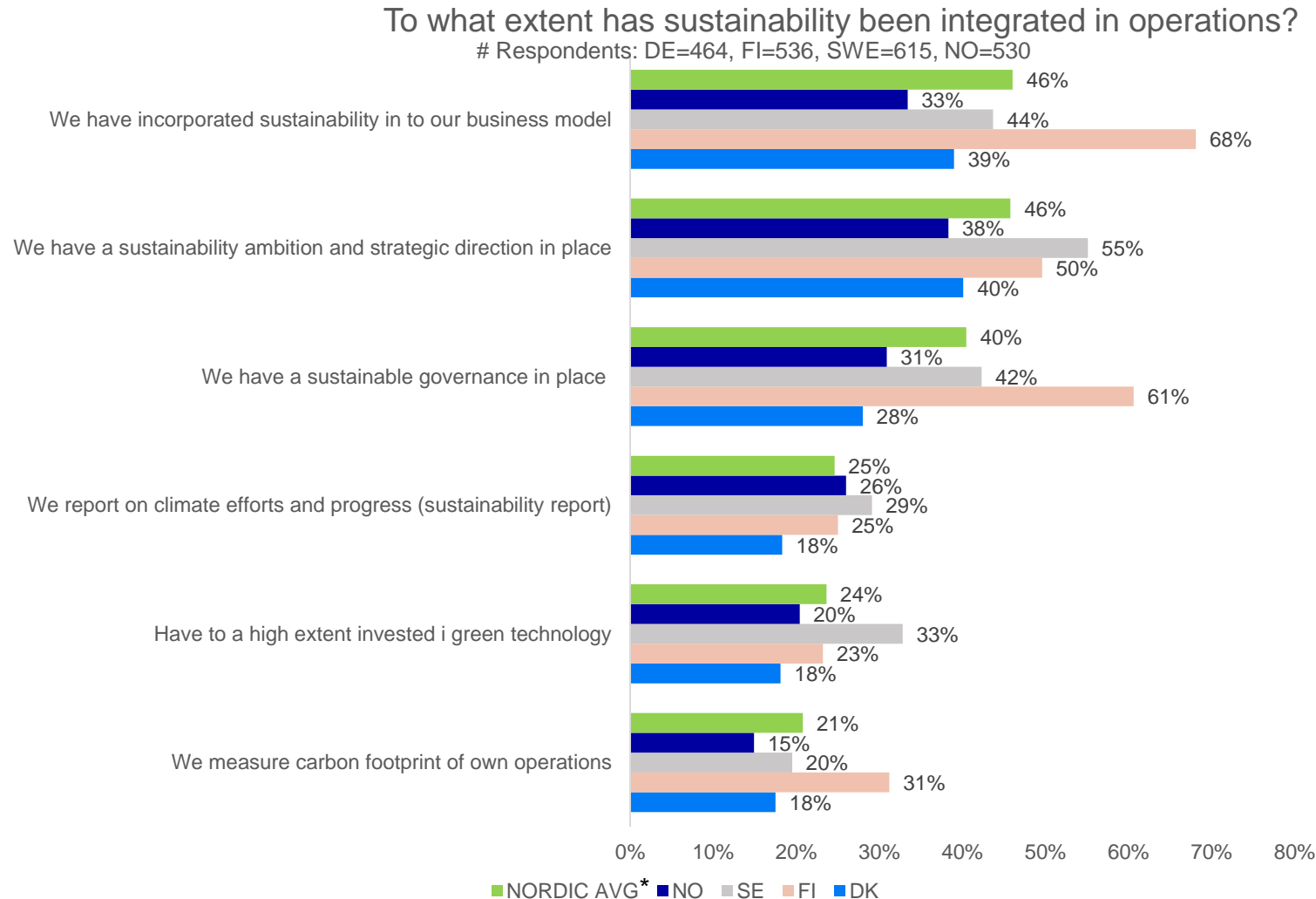


❖ Importance of sustainability tend to grow with size of the company across all countries except Finland.

- In Finland about the same share of small size companies and large size companies think it is important, 76% of small companies thinking it is important vs 78% of large companies. .

❖ The “attitude – behavioral” gap tend to be bigger the smaller the company is.

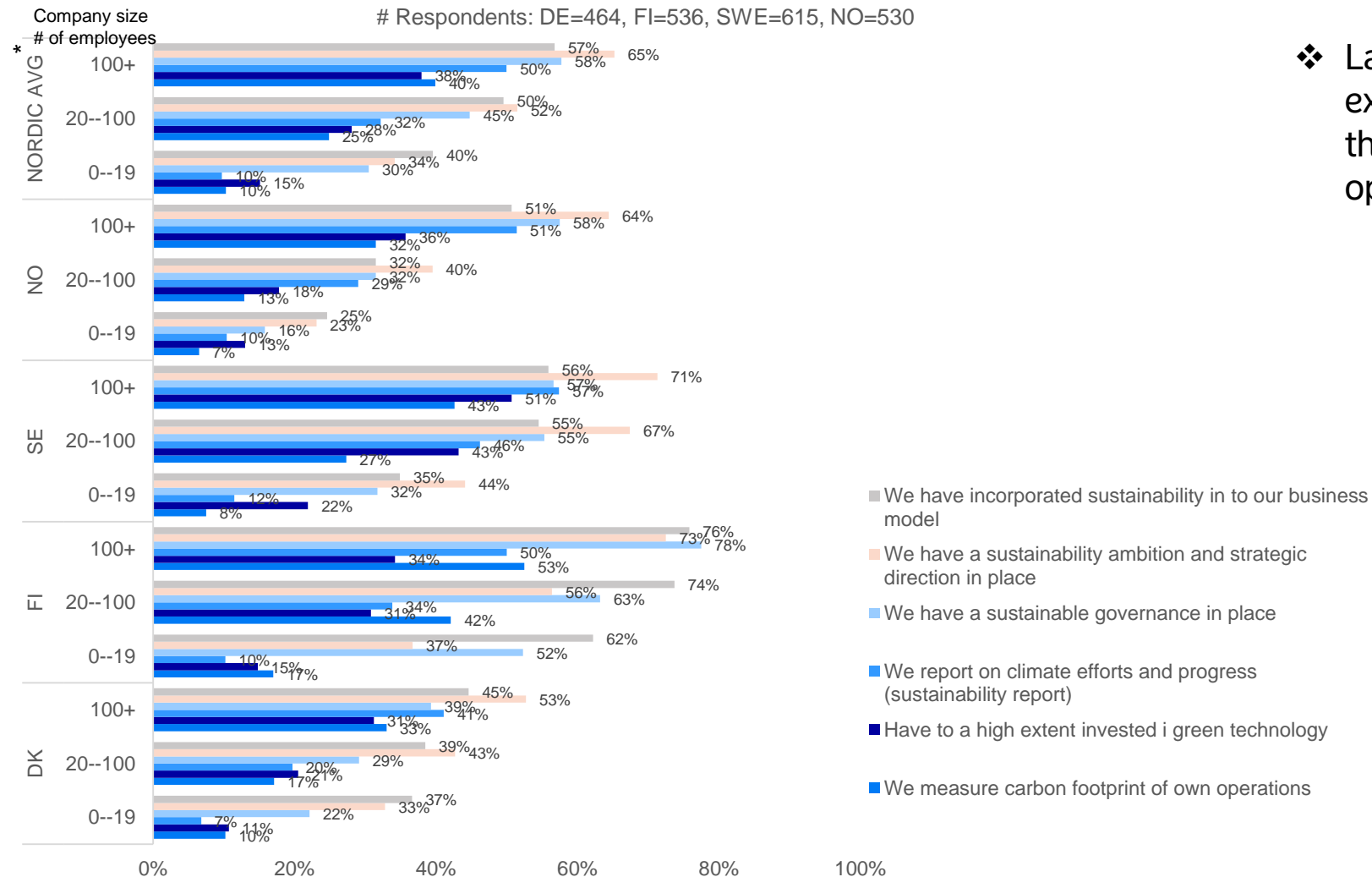
There are differences between countries in how far companies have come to integrate sustainability into their operations



- ❖ Finnish, and to some extent Swedish, companies report higher integration in operations, compared to Norway and Denmark.
- ❖ Companies report higher on their performance when it comes to integrating sustainability into their strategy and business model but lower on daily operations such as measuring, reporting and follow-up.

The bigger the company, the more integrated is sustainability into their operations

To what extent has sustainability been integrated in operations?



❖ Large sized companies have to a higher extent incorporated sustainability into their operations, strategically as well as operationally.

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Thank You

