



The Nordic Ethics and Compliance Survey 2023

June 2023

—
KPMG Norway, Sweden, Finland and Denmark
[kpmg.com](https://www.kpmg.com)



Contents

01

Foreword

02

Executive Summary

03

About the Respondents

04

Compliance Program Maturity

- Compliance Functions and Dedicated Resources
- Raising Concerns and Speak Up Culture
- Reporting Versus Actions Taken

05

Stakeholder Expectations

06

Top ESG Risks

07

Conclusion





01 Foreword

We are pleased to share with you the results of the third annual Nordic Ethics and Compliance Survey. The survey represents various industries and includes some of the largest companies in the Nordics, namely Denmark, Finland, Norway, and Sweden. A majority of the companies have an ethics and compliance function, or compliance department, and an increasing number of companies have a dedicated Human Rights Officer. Below we highlight key survey findings, drivers, and areas where Nordic companies may look to focus their attention moving forward.

Organizations are facing a changing geopolitical and regulatory environment in terms of compliance. This highlights the need for organizations to proactively update their risk assessments and monitor identified risks to ensure responsible business conduct.

There are increasing expectations for compliance. The survey results suggest both internal and external stakeholders are expressing increasing expectations for how a company handles compliance risks.

The E, S and G are interconnected. KPMG notes that many companies address the Environment, environment ("E"), Social ("S"), and Governance ("G") in silos. To work efficiently with ESG it is imperative to understand that E, S, and G are interconnected.

While companies increase focus on reporting, taking action and implementing change should not be overlooked. The survey indicates that companies have an increased focus on compliance risk assessments but are failing to show concrete actions to cease, prevent and mitigate misconduct in supply chains.

Learning from whistleblowing reports is key. Companies should conduct a root cause analysis, including the extent and seriousness of misconduct. Due consideration should be given to implementing improvements across a company.

We hope that this report gives you additional insights useful for your own compliance journey. Do not hesitate to contact us; we are happy to meet with you to further discuss the results and our recommendations.

A big thank you to everyone who participated in this year's Nordic Ethics and Compliance Survey!

02

Executive Summary

Companies are facing evolving expectations when it comes to their compliance practice. This report provides a snapshot of Nordic companies' compliance journey. Fifty-one companies have participated in this year's survey, including some of the largest companies in the Nordics. More than 90% of the participating companies have established an ethics and compliance function, or department.

To demonstrate that a compliance program meets objectives, external guidelines and regulations, a company's compliance program must have preventive, detective and response activities. The majority of participating companies indicated that their compliance program is derived from relevant regulations and good practice. In the accompanying table we summarize the key findings.

	Elements of a robust compliance program	Maturity level	Trend 2022-2023
Prevent	Tone and action from the top		
	Roles and responsibilities		
	Code of Conduct, policies and procedures		
	Risk management		
	People and skills, communication and training		
	Control activities, monitoring and testing		
Detect and respond	Issues management, whistleblower mechanism and investigations		
	Reporting, consequences and learning		
	Technology and data analytics		

Summary of key findings - 2023 Survey



<p>The Board of Directors and management continues to be increasingly involved for most companies.</p>	<p>91% responded that that the Board of Directors has expressed increasing expectations for how compliance and ESG risks are handled.</p>	<p>87% of companies regularly review and improve their ethics and compliance program.</p>	<p>Only 23% responded that their company has not implemented key performance indicators related to ethics and compliance.</p>
<p>Companies continue to strengthen the 2nd line compliance function.</p>	<p>17% of respondents do not agree that the increased use of dedicated ethics and compliance resources has resulted in improved governance.</p>	<p>The 1st line – the operational units – owns the compliance risks in their activities.</p>	<p>The survey results suggest that many companies are struggling to ensure compliance risks are mitigated by operational units.</p>
<p>98% of participating companies have a Code of Conduct that clearly communicates management’s expectations.</p>	<p>The majority of companies have a Supplier Code of Conduct.</p>	<p>Anti-bribery and corruption (ABC) and sanctions clauses are becoming more common in the Nordic contract practice.</p>	
<p>The findings indicate Nordic companies are still struggling to implement a robust and efficient risk management system.</p>	<p>This year, 67% responded that their company performs regular and systematic ethics and compliance risk assessments.</p>	<p>Only 48% answer that the risk assessments are well documented, distributed to relevant stakeholders and are being used in strategic decisions.</p>	<p>Around 80% of participating companies apply risk based integrity due diligence to their 3rd party relationships.</p>
<p>66% of the companies respond that they have a risk-based ethics and compliance training program tailored to the different roles in the company.</p>	<p>We note an increased use of digital tools that cover various topics and reach across departments.</p>		
<p>Survey results indicate Nordic companies are still failing to implement efficient controls in the 1st and 2nd lines of operations.</p>	<p>Only 56% of the companies agree that their company has targeted and efficient controls in place to manage ethics and compliance risks.</p>	<p>The number of supplier audits performed by companies is very low across respondents, especially considering that 86% of the respondents represent large companies (>1,000 employees).</p>	<p>Only 10% of the companies answer that they have performed more than 30 audits of third parties. As many as 12% answer that they have not performed any audits.</p>
<p>Investigations of misconduct provide a learning opportunity, which enables a company to safeguard their employees and reputation.</p>	<p>83% of participating companies agree the company has a well-functioning whistleblowing system that is frequently used.</p>	<p>68% responded that the company uses the whistleblowing system to monitor changes in their ethics and compliance risks.</p>	<p>84% responded that their business partners are encouraged to report identified concerns or misconduct through the whistleblowing channel.</p>
<p>The survey indicates that consequences for employees are more stringent than consequences for suppliers that breach the Code of Conduct.</p>	<p>KPMG’s view is that the consequences for suppliers breaching the Code of Conduct should be at least as stringent as consequences for employees breaching the Code of Conduct.</p>	<p>The surveys findings imply companies are still struggling to implement efficient ways of learning from misconduct and investigations.</p>	
<p>Effective compliance programs increasingly rely on the use of data analytics and digital tools.</p>	<p>Digital tools are vital to facilitate collection and analysis of relevant company’s data and support compliance risk management, monitoring and reporting activities.</p>	<p>Industry leaders are starting to move away from traditional ‘compliance only’ solutions by implementing emerging technologies that allow for a greater degree of flexibility and integration with business operations.</p>	

03 About the Respondents

Some of the largest companies in the Nordics, across industries, are represented

The 2023 Ethics and Compliance Survey includes responses from 51 Nordic companies, which include:



Mature companies in the Nordics



International companies which operate globally, in a complex, international regulatory environment with local and international compliance obligations



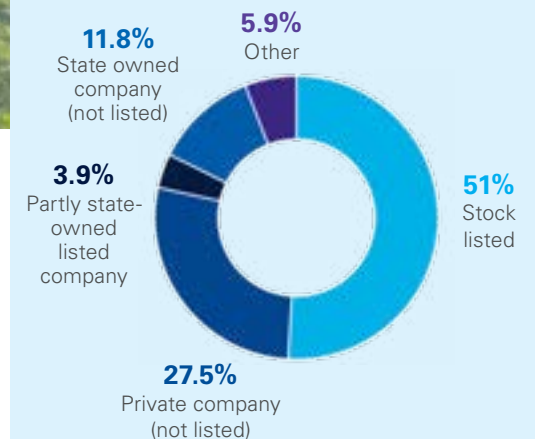
Companies operating in 21 industries



Ownership

- The majority of the companies are stock listed or privately owned (not listed).
- The majority of the companies are from Norway and Sweden.

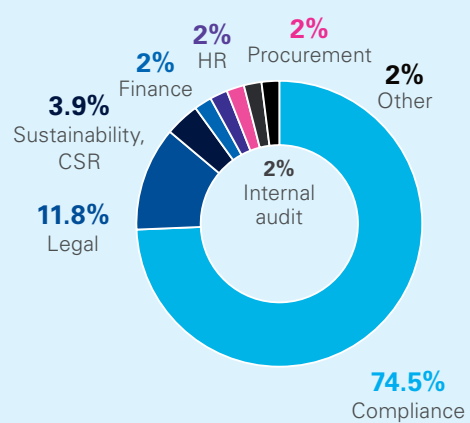
Respondents Ownership Details



Function

- Respondents are mainly placed in the 2nd line, within compliance.
- 90% of the companies have an ethics and compliance function or department. Around 75% of the companies have had a dedicated compliance function for > 3 years.
- 25% have a compliance function established in the last 1-3 years.
- 78% of the companies have an internal audit function.

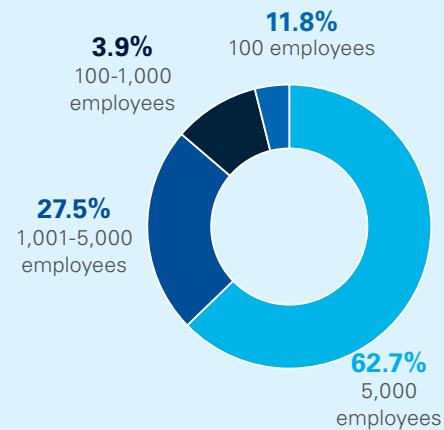
Function Breakdown



Employees

- 86% of the companies have more than 1,000 employees globally, representing some of the largest companies in the Nordics, covering various industries.
- 63% of the companies have more than 5,000 employees.

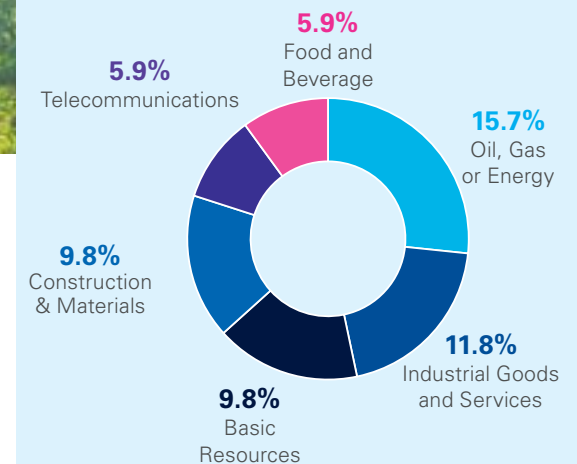
Number of Employees



Industries

- The survey represents companies across industries, such as, companies in oil, gas or energy, industrial goods and services, basic resources and telecommunications.

Industry Breakdown



04

Findings and Insights

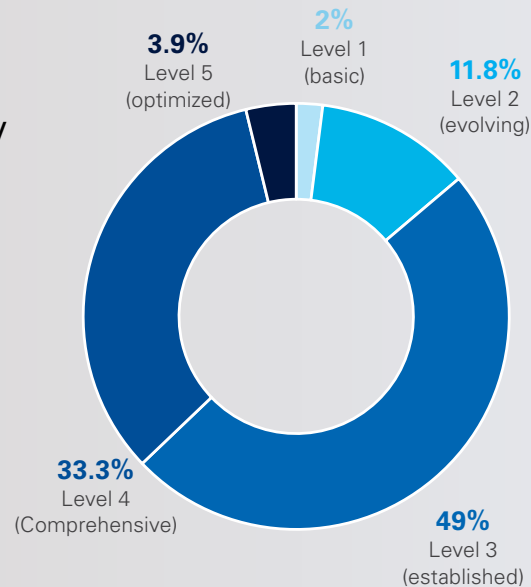
Compliance Program Maturity

Most companies state that they have a well-established compliance program that is risk-based and derived from relevant regulations and good practice.

Assuming a broad perspective, on a maturity scale from 1-5, where would you say that your company is with respect to ethics and compliance work?

The majority of the companies answer that they have an established/comprehensive compliance program.

The survey shows that the majority of the companies consider that their compliance program has a maturity level “3-4” out of 5. This aligns with the fact that the majority of the companies participating are large Nordic companies.



KPMG's Maturity Scale for Reference

Level 5 - Optimized: The work on compliance with external regulatory requirements and internal rules is systematic, efficient and well integrated at all levels of the organization in accordance with guidelines and best practice e.g., United States (US) Department of Justice (DoJ) Evaluation of Corporate Compliance Programs and the United Kingdom (UK) Bribery Act. The management and Board of Directors take an active role in reviewing and improving the compliance program. There is a strong focus on evaluation and learning across the organization. Digital tools are implemented to facilitate the collection and analysis of relevant company's data to support compliance risk management, monitoring and reporting activities and ensure traceability.

Level 4 - Comprehensive: The work on compliance with external regulatory requirements and internal rules is systematic and well integrated into all levels of the organization in accordance with guidelines and good practice, e.g. US DoJ Evaluation of Corporate Compliance Programs and the UK Bribery Act. The management and Board of Directors are involved in reviewing and improving the compliance program. There is a strong focus on evaluation and learning. Digital tools are to some extent implemented to facilitate the compliance work.

Level 3 - Established: Work on compliance with external regulatory requirements and internal rules is systematic and implemented at all levels of the organization in accordance with regulatory requirements and guidelines and good practice, e.g. US DoJ Evaluation of Corporate Compliance Programs and the UK Bribery Act. Digital tools are to some extent implemented to facilitate the compliance work.

Level 2 - Evolving: The compliance program has several key elements in place, but there are significant shortcomings. The activities are not systematic and well integrated at all levels of the organization. The program partly satisfies external regulatory requirements and guidelines. The maturity of some major disciplines are inadequate.

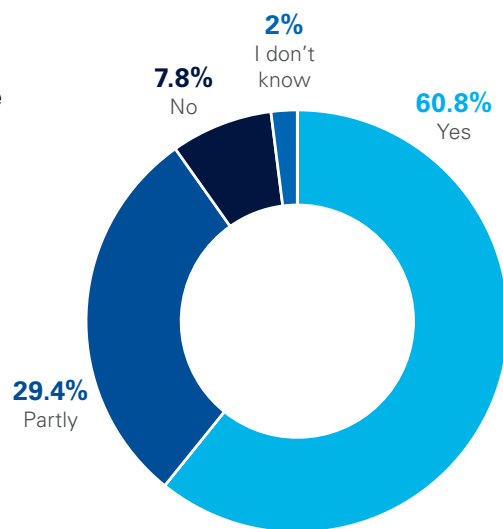
Level 1 - Basic: The compliance program is fragmented. There are significant deficiencies in governing documents and implemented processes. The program does not satisfy external regulatory requirements and guidelines within one or more significant subject areas.



Does your company derive its ethics and compliance program from relevant regulations and good practice, e.g. US DoJ Evaluation of Corporate Compliance Programs and UK Bribery Act?

The majority of companies responded that their compliance program is derived from relevant regulations and good practice.

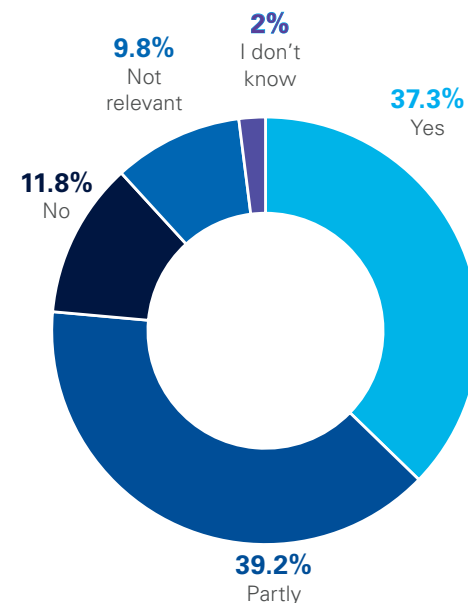
The US is a trendsetter in the Nordics and extraterritoriality should be considered, e.g., US jurisdiction and sanctions. High fines have been given to Nordic companies in recent years. Accordingly, it should be noted that the US has the most comprehensive descriptions and recommendations for effective compliance programs, which is still missing on the EU-level.



Our company differentiates its ethics and compliance program in the various jurisdictions it operates in accordance with national regulations and risk exposure

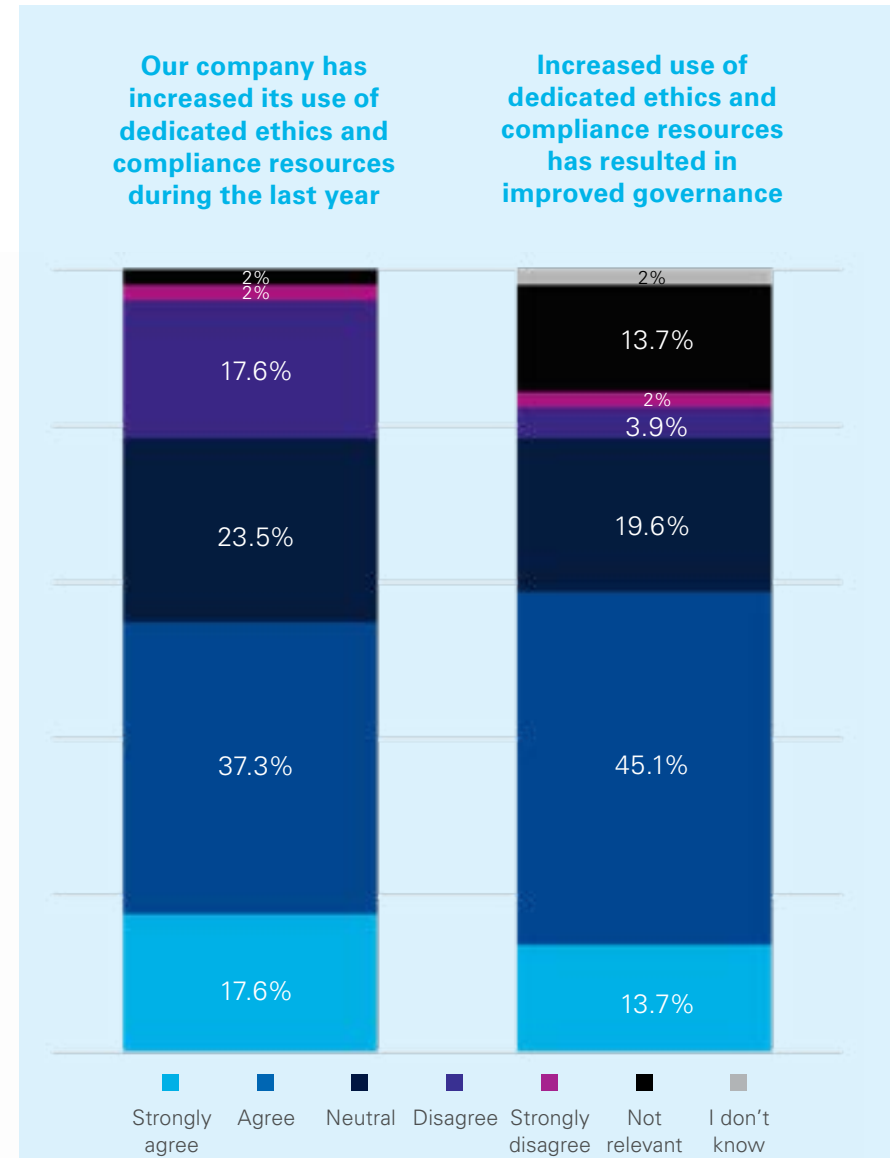
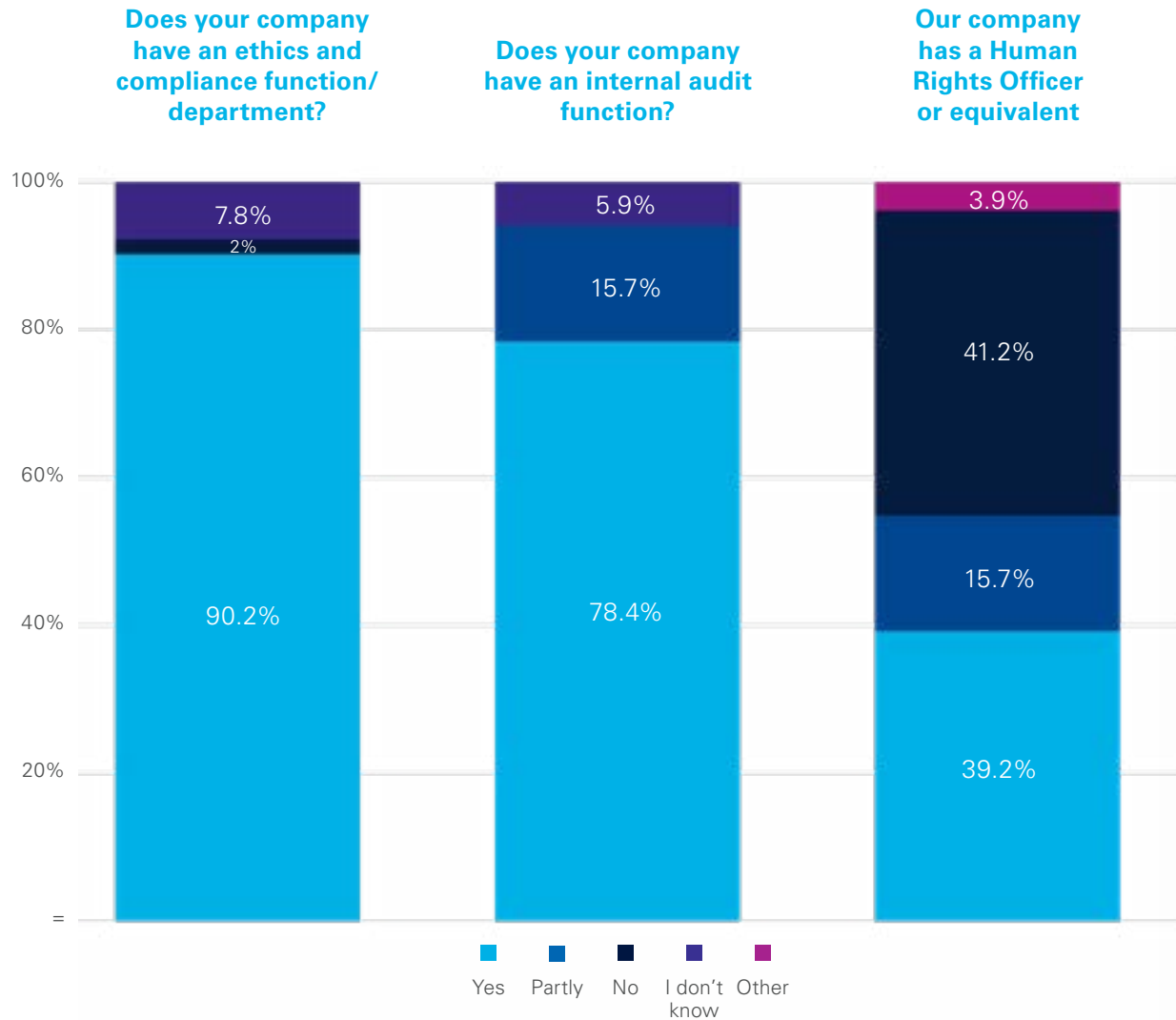
A good compliance program is the one that is tailored and risk-based.

For large, multinational companies it is crucial to have a central compliance program that is implemented in subsidiaries and countries of operation. It is then crucial for local implementations to not only be compliant with the global compliance framework of the parent company but also to adjust it to the laws, regulations, and requirements in the country of its operations. The compliance program should be risk-based and tailored to local operations and risks.

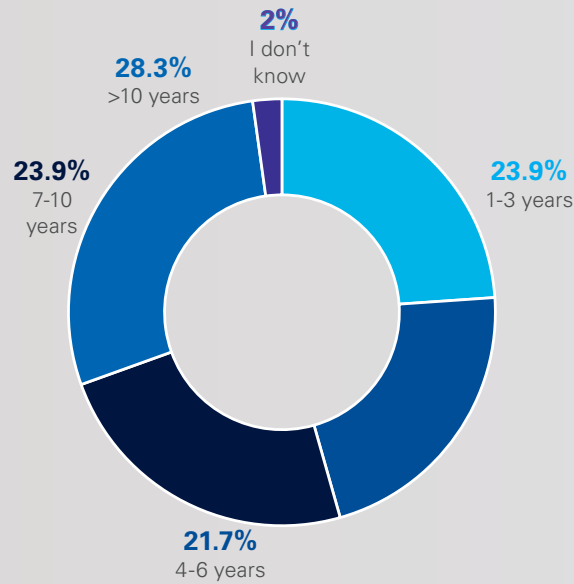


Compliance Functions and Dedicated Resources

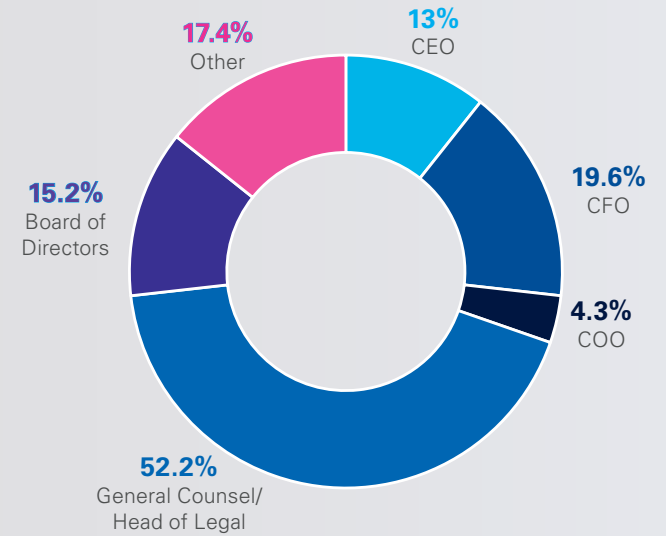
Most companies have a dedicated compliance function and around half have a Human Rights Officer or equivalent, in some capacity



For how long has your company had a dedicated ethics and compliance function/ department?



Whom does the Head of Compliance/ Chief Compliance Officer report to?



Key takeaways

Most participating companies (90%) have an ethics and compliance function, or department. 76% of the companies has had a dedicated ethics and compliance function, or department, for more than three years. Compliance continues to be placed higher on the corporate agenda in the Nordic region, especially following recent scandals.

52% of the companies state their compliance function, or department report to the General Counsel or Head of Legal; 20% to the CFO; 15% to the Board of Directors; and 13% to the CEO. It is important to note that in many cases the compliance function, or department has a dotted reporting line to the Board of Directors in line with good practice.

39% of the companies have a Human Rights Officer or equivalent and 16% have a responsible for this function “partly” in place. These results cover nearly half of the respondents. This may be due to the increased legislation focusing on human rights (and

environmental) due diligence e.g., in the US and EU. For human rights, there is a move from soft law to hard law, and many countries have introduced national legislation (e.g., the UK Modern Slavery Act, the French Duty of Vigilance Law, the Norwegian Transparency Act) and some even pose a requirement for a dedicated Human Rights resource (e.g., the German Supply Chain Act). While the EU Directive is yet to be enforced, companies, can, and likely should, be evolving towards compliance, especially since provisions of human rights due diligence are already part of other directives and regulations already in place (e.g., Corporate Sustainability Reporting Directive (CSRD), Sustainable Finance Disclosure Regulation (SFDR), and Conflict Minerals Regulation).

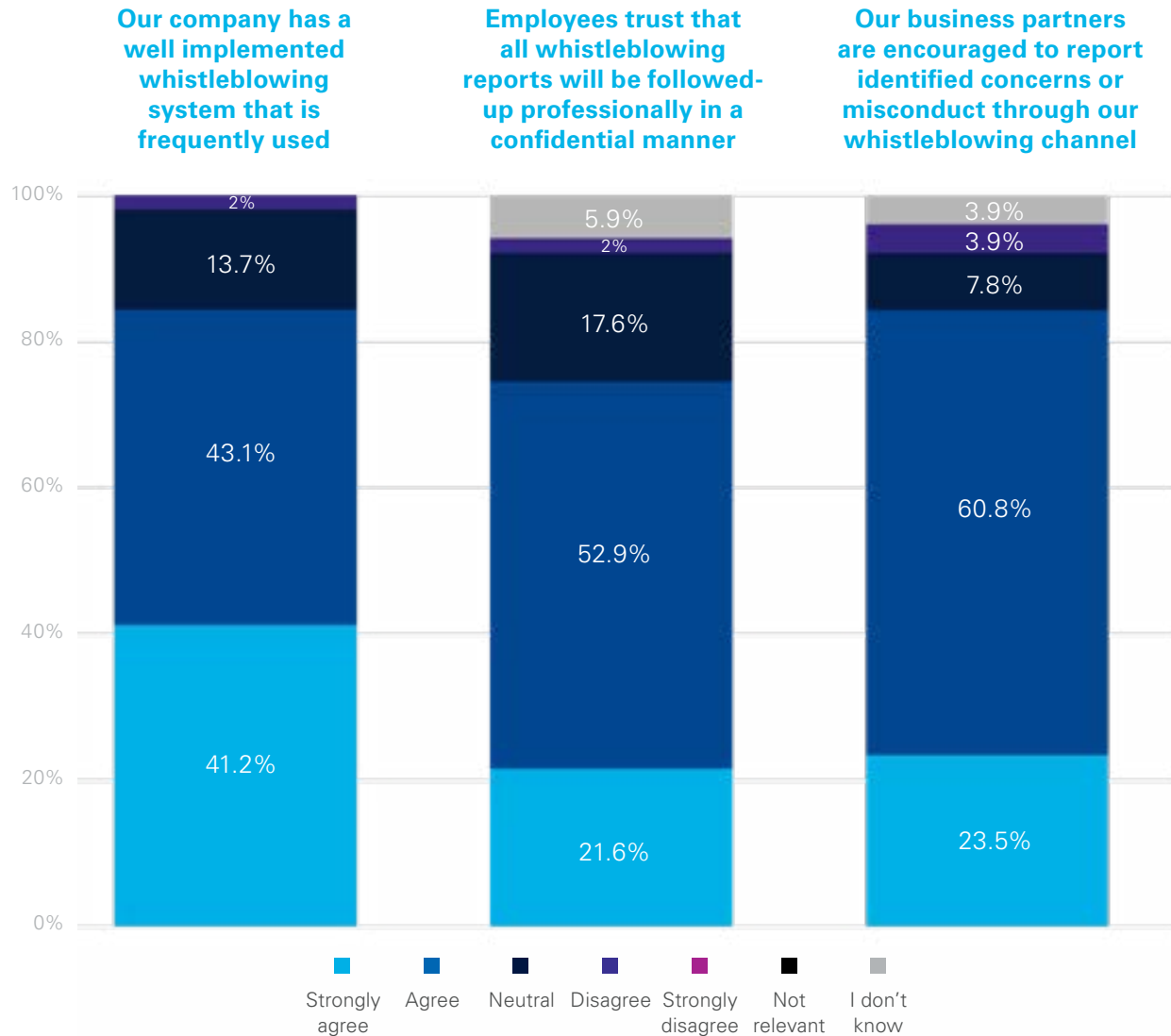
55% responded that their company has increased its use of dedicated ethics and compliance resources in the last year. Nordic companies seem to be aligned with a similar trend in the US ((see, KPMG CCO survey (US), where 56% of 240 respondents said

they will increase compliance full-time equivalents in the coming years)). At the same time, only around 58% of the Nordic company respondents agree that the increased use of ethics and compliance resources has resulted in improved governance. This may suggest Nordic companies are not ensuring compliance risks are mitigated by the operational units who own the compliance risks in their activities.

The majority (78%) of the companies participating have an internal audit function. Given the nature of the companies, this number is surprisingly low. For example, 51% are stock-listed companies, and for some stock listed companies it is a requirement to have an internal audit function.

Raising Concerns and Speak Up Culture

Are companies learning from whistleblowing reports?



Key takeaways

The survey shows that:

- 84.3% of the respondents think that they have implemented a whistleblowing system that is frequently used.
- 74.5% of the respondents think that employees trust that all whistleblowing reports will be followed-up in a confidential manner.
- 84.2% of the respondents answer that their business partners are encouraged to report identified concerns or misconduct through their whistleblowing channel.

These results suggest potentially high rates of whistleblowing system implementation for Nordic companies and could be due to increased awareness on the importance of ethical business conduct. Previous reports, however, indicate less trust among employees on the employer’s ability to handle reported concerns professionally. Corporations must always acknowledge that maintaining such trust among its employees is a never-ending process. Having a professional whistleblowing mechanism in place is an ethical backbone for responsible business.

It is interesting to observe that this significant proportion of the respondents agree that business partners are encouraged to report through the whistleblower mechanism. This may indicate that the threshold for such “external whistleblowing” is lowered.



Important questions to evaluate the maturity of the whistleblowing system:

01

Are there impediments for raising concerns?

02

Are reporting channels easily accessible?

03

Do employees and other stakeholders know how to report a concern?

04

Are there cultural differences to consider?

05

Are personal data concerns and surveillance considered?

06

Is there a concern for retaliation and being black-listed in a competitive job market?

07

Can suppliers or other external stakeholders raise concerns?

Good practice is that the company has a policy to ensure that the board is informed of severe irregularities.

The company should conduct a root cause analysis, including the extent and pervasiveness of misconduct and the seriousness, and due consideration should be given to: why the controls failed, vendor selection (if appropriate), prior indicators of control failures or allegations of misconduct, management accountability, and remedial actions taken.

08

Are reports documented and addressed?

09

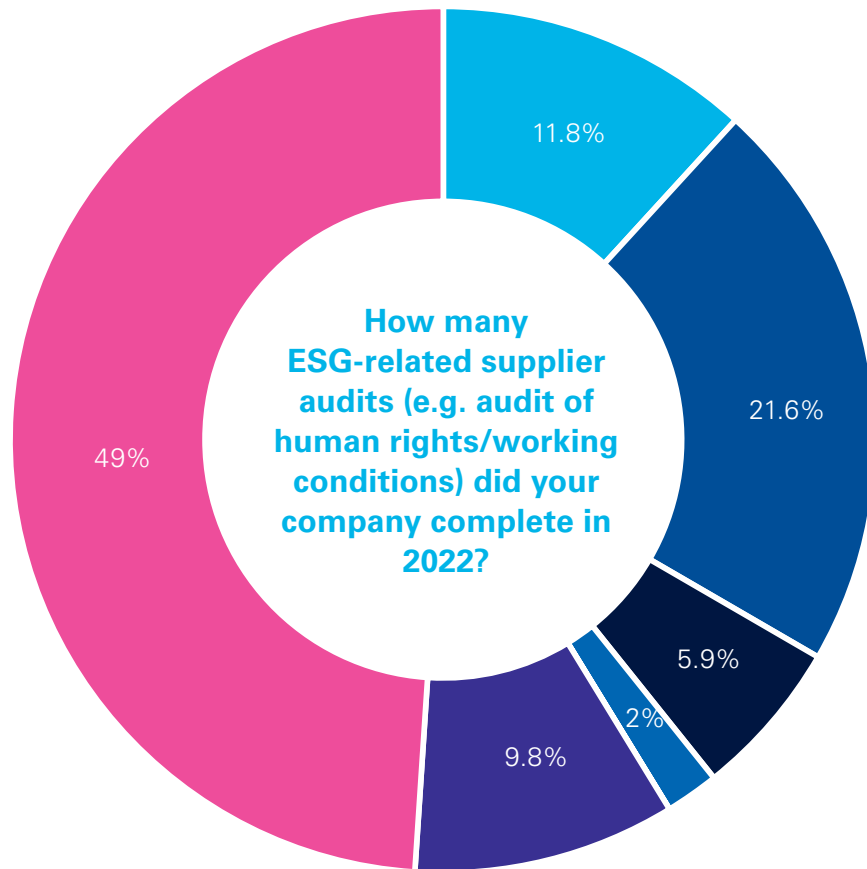
Does the company have an overview of common concerns?

10

Does the company perform a systematic root-cause analysis for the misconduct and share the learnings across the organization?

Reporting Versus Actions Taken

As companies focus on reporting, are they also taking action and implementing change?



The number of ESG-related supplier audits is surprisingly low. Companies have an increase focused on ESG-risk assessments, but may be failing to take concrete actions in the supply chain to cease, prevent and mitigate misconduct.

Audit results

5%

responded that they identified breaches of human rights during the audits

25%

responded that they partly identified breaches of human rights during the audits

70%

responded that they did not identify breaches of human rights during the audits

Key takeaways

Risk-based due diligence

Many companies have moved beyond traditional integrity due diligence in their efforts to understand the reputational risk associated with their third parties – now their due diligence embraces all aspects of an ESG perspective. The survey results reflect the importance of clear communication around ethics with not just the largest third parties but throughout the supply chain. It is crucial that companies prioritize the most severe risks and impacts - regardless of where these are in the value chain. A tailored due diligence is necessary to ensure, in practice, it matches the nature of the risks the company faces. If a risk-based approach is not used it is easy for risk to go unnoticed, or for the most severe risks to not be prioritized. Another pitfall of not having risk-based due diligence is that it can lead to companies doing excessive due diligence work, for example, on third parties that may pose little to no risk. This can negatively impact resource allocation and can prompt perceptions of compliance being a business hinderer, instead of an enabler.

ABC and sanctions clauses used in agreements.

Anti-bribery and corruption clauses, as well as sanction clauses, are more common in Nordic contract practice. Companies are utilizing these clauses to protect themselves against corrupt and unethical behavior of business partners and to ensure risks of administrative fines and damage claims, as well as impending reputational damage. Anti-bribery and corruption clauses, as well as sanctions clauses in agreements, are highly recommended to ensure compliance with laws and regulations, ethical business practice, and to mitigate risks associated with such issues.

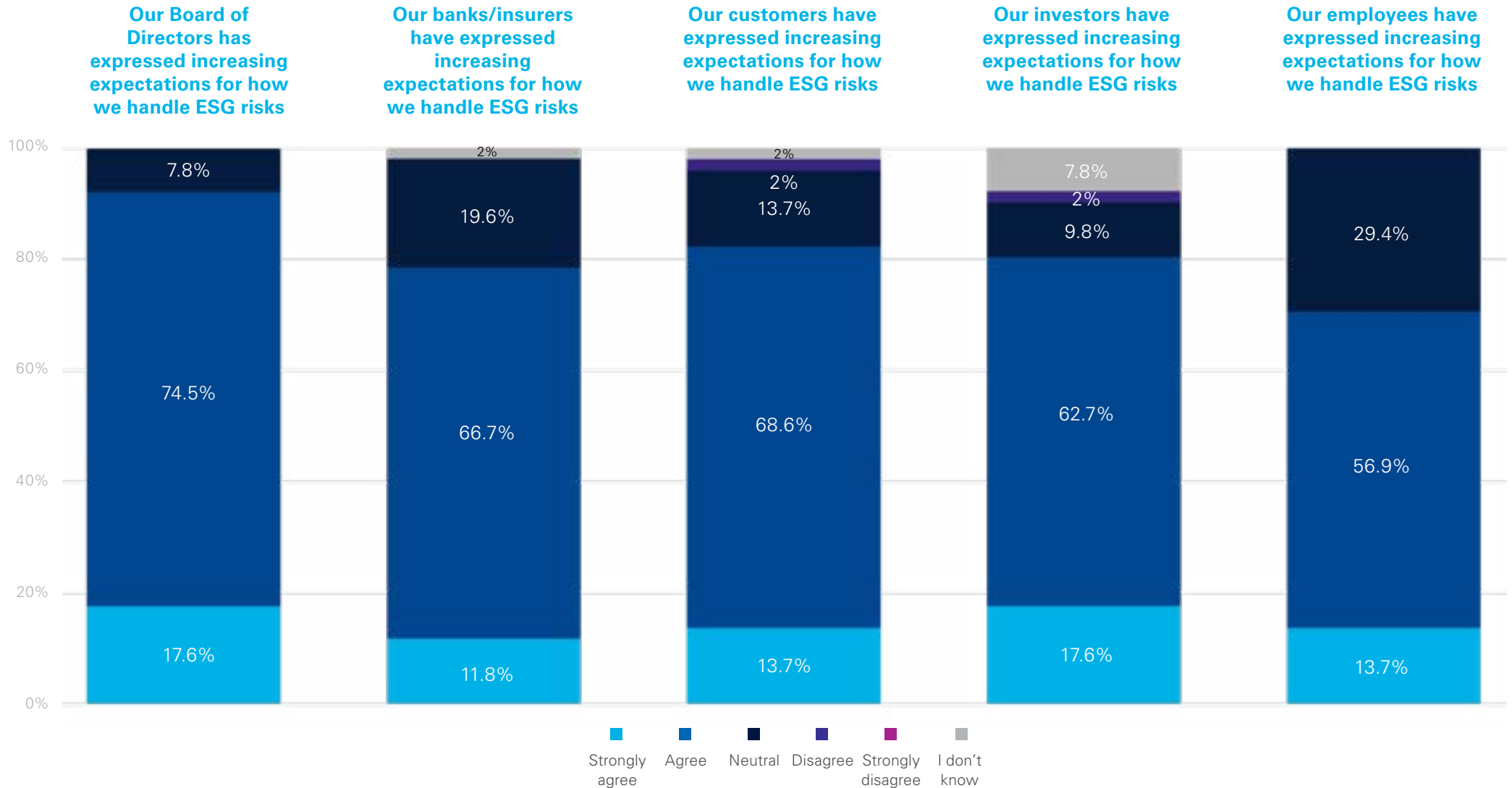
The number of supplier audits are surprisingly low - are companies in reality failing to cease and prevent actual misconduct?:

An important tool both to prevent and detect misconduct in the supply chain is to conduct audits. The survey shows that the number of audit performed by the companies are surprisingly low, especially considering that 86% of the respondents represent large companies (>1,000 employees) and 72% of the respondents answer that the ESG top risks are likely to occur as misconduct in the supply chain. Only 10% of the companies answer that they have performed over 30 audits. As many as 12% answered that they have not performed any audits at all. It is also a surprising to see that as many as 49% of the respondents do not know approximately the number of audits performed. As 86% of the respondents belong to the Compliance & Legal departments, this indicate that these roles (2nd line) in many cases may not closely follow the status with the operational units (1st line).

05

Stakeholder Expectations

Companies experience increasing expectations from both internal and external stakeholders



Key takeaways



Survey results

92%

agree that the Board of Directors have expressed increasing expectations for how ESG risks are handled.

82%

agree that customers have expressed increasing expectations for how ESG risks are handled.

80%

agree that investors have expressed increasing expectations for how ESG risks are handled.

79%

agree that banks or insurers have expressed increasing expectations for how ESG risks are handled.

71%

agree that their employees have expressed increasing expectations for how ESG risks are handled.

39%

agree that their suppliers have expressed increasing expectations for how ESG risks are handled.

It is promising to see that as many as 92% respond that their Board of Directors express increasing expectations. Indeed the Board of Directors has the responsibility to ensure that the management has established appropriate and adequate internal controls. The senior management is responsible for the design, implementation and management (or development) of internal control within the framework established by the Board of Directors.

It also seems banks and insurers have started to take a much more active role in actually verifying whether a company has implemented an adequate compliance program that works in practice (not only “paper-compliance”).

The increasing expectations from employees, noted by 71% of respondents is also noteworthy. This is in line with other international KPMG surveys which show employees and younger employees, in particular, are increasingly interested in working for a company with a high focus on integrity, where they are able to contribute in their role to achieving goals within sustainability, and where they feel that their job “has a purpose” in line with their own ethical values.



06

Top ESG Risks

A trend towards compliance programs covering more than governance

E, S, and G-related risks are interconnected

Historically compliance programs have mainly covered governance risks, however, there is now a trend to also better address social and environmental risks. For many companies, different departments work with E, S, and G in “silos” without coordinating and sharing methodology, analysis and risk mitigating actions. Examples, however, can illustrate how the risks can be interconnected:

- Scarce raw materials can lead to corruption within the supply chain
- People displaced by climate change may be more vulnerable to forced labor or other human rights violations
- Business operations can negatively affect Indigenous Peoples’ lands and rights to natural resources and subsistence hunting

Companies should consider how to better intertwine work related to E, S, and G risks.



What are the most important ESG risks?

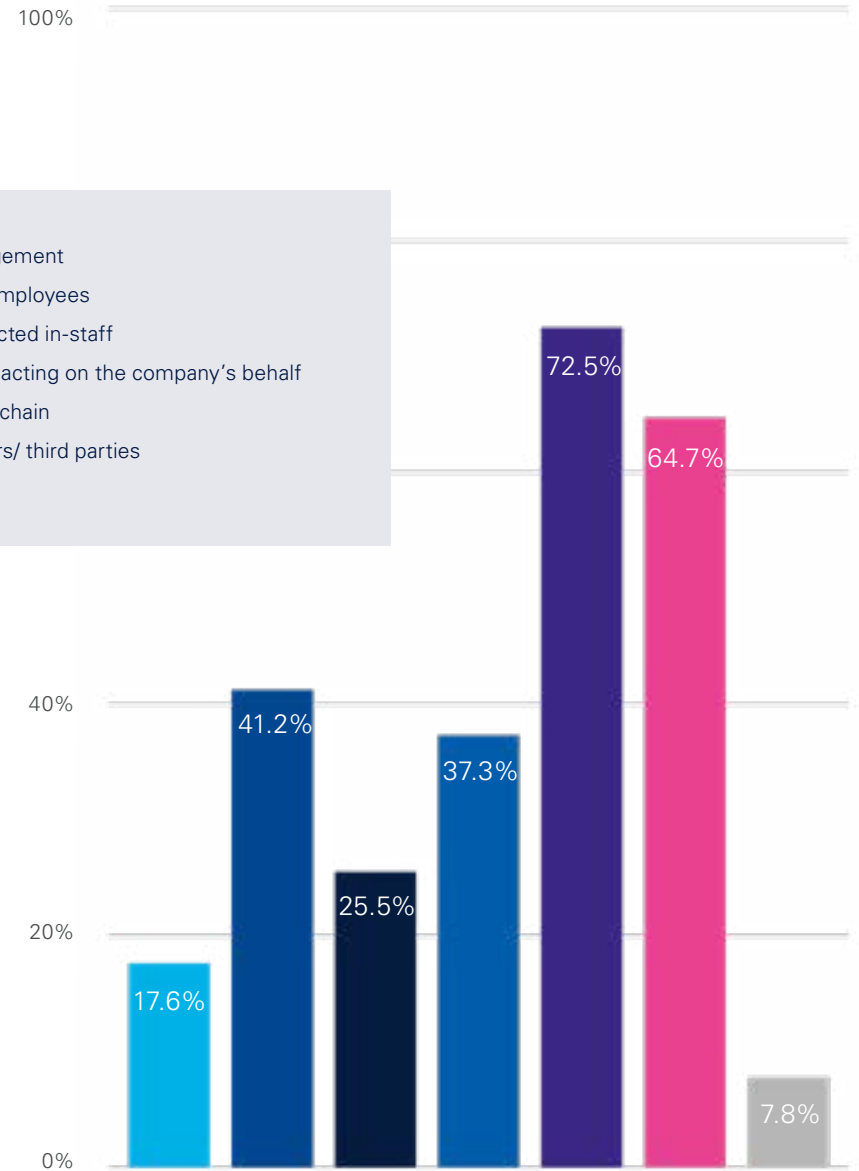
Understanding a company’s risk exposure is critical to ensure that accurate actions are defined to mitigate the risk.

Good practice in the industry today is to align and integrate the risk assessment process with the company’s end-to-end strategy and risk assessment process.

Ethics/ESG compliance risk assessments should be done bottom-up, involving employees in risk exposed positions. Companies must engage in ongoing monitoring of the 3rd party relationships through updated due diligence, training, audits, and/or annual compliance certifications. Contracting should include ESG related provisions and rights to perform audits.



Where is misconduct most likely to occur?



How are the top ESG risks most likely to occur?

Misconduct may take place internally by the company's management, other employees or hired-in personnel. It may also take place among external companies which the company is interacting with, for example in the supply chain, among joint venture partners or agents used by the company.

The graph below shows that 73% believe that the top risks are likely to occur related to misconduct in the supply chain and with other business partners.

Also, to note, 18% of the respondents answered that the top ESG risks are likely to occur related to misconduct by the company's management. Indeed, management is involved in the most critical business decisions, both related to purchasing activities and sales activities.

Environmental Risks






Top risks

The accompanying table summarizes what participating Nordic companies consider to be the highest environmental risks today. **Energy consumption has now entered the top position.** Demand for energy is rising substantially making natural resources increasingly scarce and more expensive.

Negative impact on climate change is ranked as top risk #2.

Companies should understand their climate risks, including acute risks that are event driven (storms, flooding, heatwave, wildfires) and chronic risks that relate to long term shifts in climate patterns and environment (increasing temperatures, sea-level rise, ocean salinization). Companies should implement measures with objectives of managing impacts and avoiding the most severe outcomes and invest and implement change towards resiliency. There is an opportunity for innovation and high investment needs, new partnerships, and potential new efficiency.

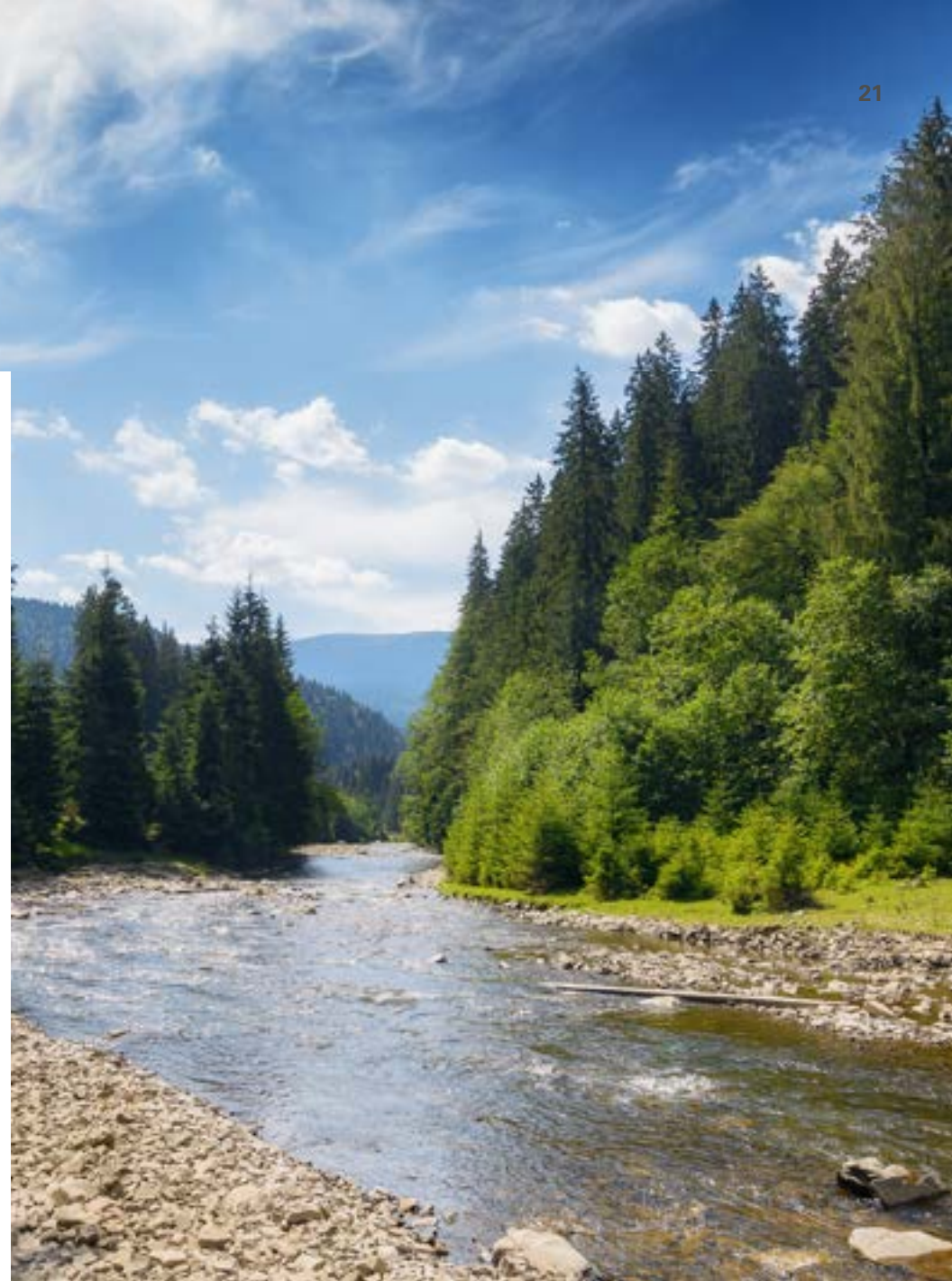
Greenhouse gas emissions is ranked as risk #3. There are several mechanisms for emission cuts in a company. Companies can, for example, increase the coverage of the topic of climate in management and/or board meetings, implement climate strategy with associated climate targets and action plans, improve communication and training, utilize climate accounting and budgeting, and implement incentives (i.e., bonus or other compensation) for emission cuts and internal carbon price.

Rank 2023		Rank 2022	Trend
01	Energy consumption	3	
02	Negative impact on climate change	2	
03	Greenhouse gas emissions	1	
04	Impact on ecosystem and biodiversity	4	
05	Scarce natural resources	6	

KPMG Insights

- **Regulators are taking notice of greenwashing and green-hushing.** Greenwashing implies any dishonest practices used by businesses to represent themselves as more sustainable either by giving a false impression or providing misleading information as to the sustainability of a product or service. Where green-hushing is when a company adopts a 'radio-silence' approach to environmental goals. As more products are being labelled "green" or "sustainable" there has been a rise in exaggerated, misleading or unsubstantiated claims, and financial services regulators are taking notice. Regulators have a clear mandate to build trust in financial markets.
- **Courts around the world are imposing fines for greenwashing, and this is likely to expand.** The commercial and reputational damage that comes with being perceived as greenwashing, is usually a much greater cost.

There are more and more developments in the E sphere for ESG reporting frameworks and legislation (e.g., EU Taxonomy, CSRD). Companies will need to expand upon how they address environment and climate matters. the EU has proposed a new directive, Corporate Sustainability Due Diligence Directive, which is likely to push companies towards a stronger focus on environmental due diligence, in addition to their human rights related efforts. In terms of natural resources, companies should consider developments, such as the Taskforce on Nature-related Financial Disclosures (TNFD) and Science based targets for nature (STBN).

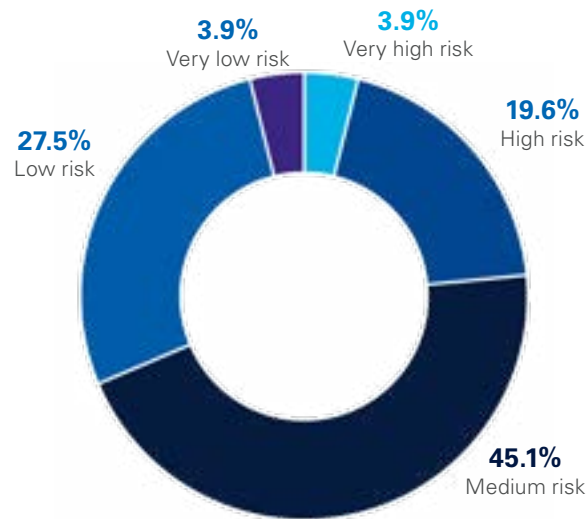


Social Risks

Social ('S') risks and opportunities are receiving higher attention; health and safety, lack of diversity in leadership positions and harassment and bullying ranked as top 3 risks

Top risks

The table below summarizes what some of the largest Nordic companies consider to be the most critical social risks today. Health and safety is the top risk.



Companies have ranked "Lack of diversity in leadership positions" as the second top risk.

Rank 2023	Rank 2022	Trend
01 Health & safety	1	→
02 Lack of diversity in leadership positions	N/A	N/A
03 Harassment/and or bullying	2	→
04 Working hours	6	↗
05 Discrimination	4	↘
06 Employment conditions	3	↘



KPMG Insights

- **The global focus on Human Rights has resulted in increased legislation and a shift from soft to hard law.** Breaches of Human Rights legislation may impact the company's license to operate and their reputation.
- Nordic companies are subject to several legislative requirements on human rights. Regulatory requirements **are increasingly holding companies accountable for identifying human and labor rights violations** in the supply chains. Risk-based due diligence, holistic procurement systems and good contract governance that includes controls and audits are needed to ensure a supply chain free from human and labor rights violations.
- As a result of increased legislation we expect good practices to further develop, creating market opportunities for businesses with robust ESG compliance frameworks in place.

Examples of the growing legal and regulatory landscape:

- **The Transparency Act, introduced in Norway in July 2022, triggered business and human rights attention, generated important compliance discussions, and already prompted updates across industries.** The Transparency Act contains 3 main duties, affecting around 9,000 Norwegian businesses: (1) Duty to conduct human rights due diligence; (2) Duty to report on human rights due diligence; (3) Duty to respond to public inquiries (general and product/service specific).
- Due diligence is core of the law, where a business shall proactively and continuously identify and manage potential and actual human rights risks (based on OECD methodology). **For internal operations, in the supply chain, and for business partners.**
- Similar legislation has been proposed in other countries and the EU, changing the game for those businesses ignoring actual or potential human rights violations and compliance in their operations and supply chains. for example the German Supply Chain Act which came into force in January this year and will initially cover companies with 3,000 or more employees, and from 2024 onwards companies with 1,000 or more employees.







Governance Risks

Information security, cyber, conflict of interest, sanctions and GDPR continue to top the governance ('G') risk universe

Top risks

The table summarizes what some of the biggest Nordic companies consider are the most important governance risks today. Information security, cyber, conflict of interest, sanctions and GDPR continue to top the risk universe, which is not a surprise. Despite Nordics scoring well on Transparency International's Corruption Perceptions Index, conflicts of interest is considered a top 5 risk among survey respondents. The Nordic legislation concerning bribery and corruption is robust but does not take into consideration other types of corruption such as conflicts of interest. **Conflicts of interest** constitute a significant issue in that they affect ethics by distorting decision making and generating consequences that can undermine the credibility of boards, organizations, or even entire economic systems.

Sanctions being in the top 5 is not surprising given geopolitical tensions. Sanctions violations may cause reputational damage and serious economic impacts on the activities of companies. Due to the ongoing war in Ukraine, sanctions awareness has increased, however the sanctions management programs and/or procedures are still lagging in the Nordics, which is soon to change due to initiatives on the EU level. Due to poor harmonization and implementation of EU sanctions in the member states, the EU added violation of sanctions to the list of EU crimes in 2022. Making violating EU sanctions a serious criminal offence. This paved the way for the EU to develop a draft directive with aim to harmonize sanctions implementation and compliance in the member states, the proposed directive will among other things establish the same level of penalties in all Member States. Another development that we have witnessed is the introduction of the EU sanctions whistleblower tool. The anonymous filing can cover past, ongoing or planned sanctions violations, as well as attempts to circumvent EU sanctions, be it individuals, companies and third countries involved.

Rank 2023		Rank 2022	Trend
01	Information security	2	
02	Cybercrime and extortion	1	
03	Conflict of interests	5	
04	Sanctions	4	
05	Personal data protection	6	
06	Bribery and corruption	3	

KPMG Insights

- An increasing number of companies are now introducing digital tools for mapping and managing conflicts of interest. Companies find it challenging to map and manage potential conflicts of interest in real time. In many cases, work tasks consist of manual and paper-based forms and controls that are rarely subject to external verification. Hence, the risk of potential conflict of interest that may go undetected and thus not being adequately addressed increases.
- The US DoJ recently announced changes to the Criminal Division Corporate Enforcement Policy (CEP). The Criminal Division's policy revisions are intended to offer companies "new, significant, and concrete incentives to self-disclose misconduct." Nordic companies with an international footprint are exposed to US anti-corruption legislation and should review their compliance programs to be in line with the latest regulations.
- In 2022 we saw a new approach and speed with which the Western countries agreed on and implemented sanctions against Russia as a response to its full-scale invasion of Ukraine. An unprecedented level of cooperation. Increased international cooperation means that companies also need to think with greater global awareness by conducting trainings and audits and continuously working on their sanctions compliance.

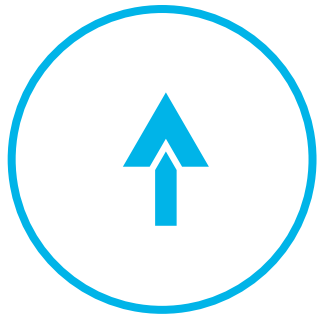




07 Conclusion

The ethics and compliance journey continues for Nordic companies

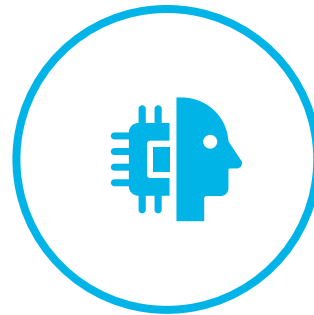
Key drivers for the evolution:



Increased expectations from external and internal stakeholders



Waves of **regulations** with **stronger enforcement**



Cyberthreats constantly evolving



Geopolitical uncertainties



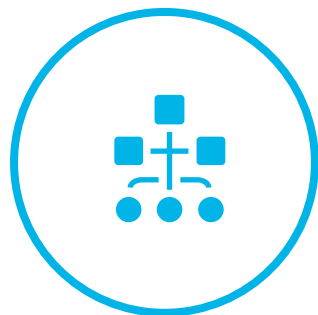
Emerging technologies allowing for a greater degree of flexibility aimed at integrating with business operations, as tailored to the business end user



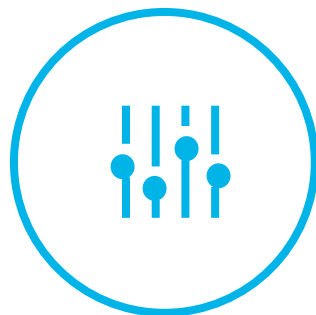
Nordic companies should look to:



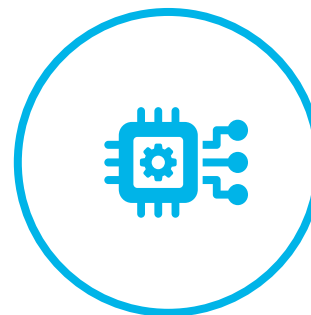
Increase **top management involvement**. Make the 1st line responsible and accountable for compliance; **empowerment and accountability should go hand-in-hand**



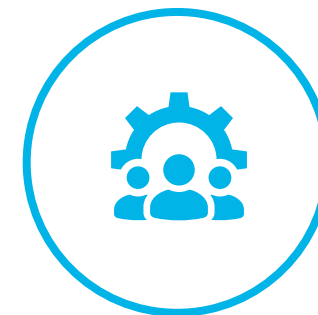
Align and integrate the ethics/ESG compliance risk & opportunity assessment processes with the **company's end-to-end strategy process**. E, S, and G risks are interconnected - do not work in silos



Establish **effective controls and conduct regular testing of effectiveness**. Learn from whistleblowing cases, identify the root causes



Follow up of **third parties** throughout the lifecycle, not only focusing on pre-engagement screening. Focus should be on **ceasing actual misconduct, identifying root causes and ensuring learning across the organization**



Move away from traditional 'compliance only' solutions by **implementing emerging technologies**

Contact



**Beate
Hvam-Laheld**
beate.hvam-laheld@kpmg.no
Norway



Olesya Brodin
olesya.brodin@kpmg.se
Sweden



Antti Aalto
antti.aalto@kpmg.fi
Finland



Jon Beck
jonbeck@Kpmg.com
Denmark

kpmg.no | kpmg.se | kpmg.fi | kpmg.dk



Made by KPMG AS, a Norwegian limited liability company and a member firm of the KPMG network of independent firms affiliated with KPMG International, a private English company limited by guarantee, and is in all respects subject to the negotiation, agreement, and signing of a specific engagement letter or contract. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firms.

© 2023 KPMG AS and KPMG Law Advokatfirma AS, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization. Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

MADE |