



KPMG Insurance update

01 December 2021





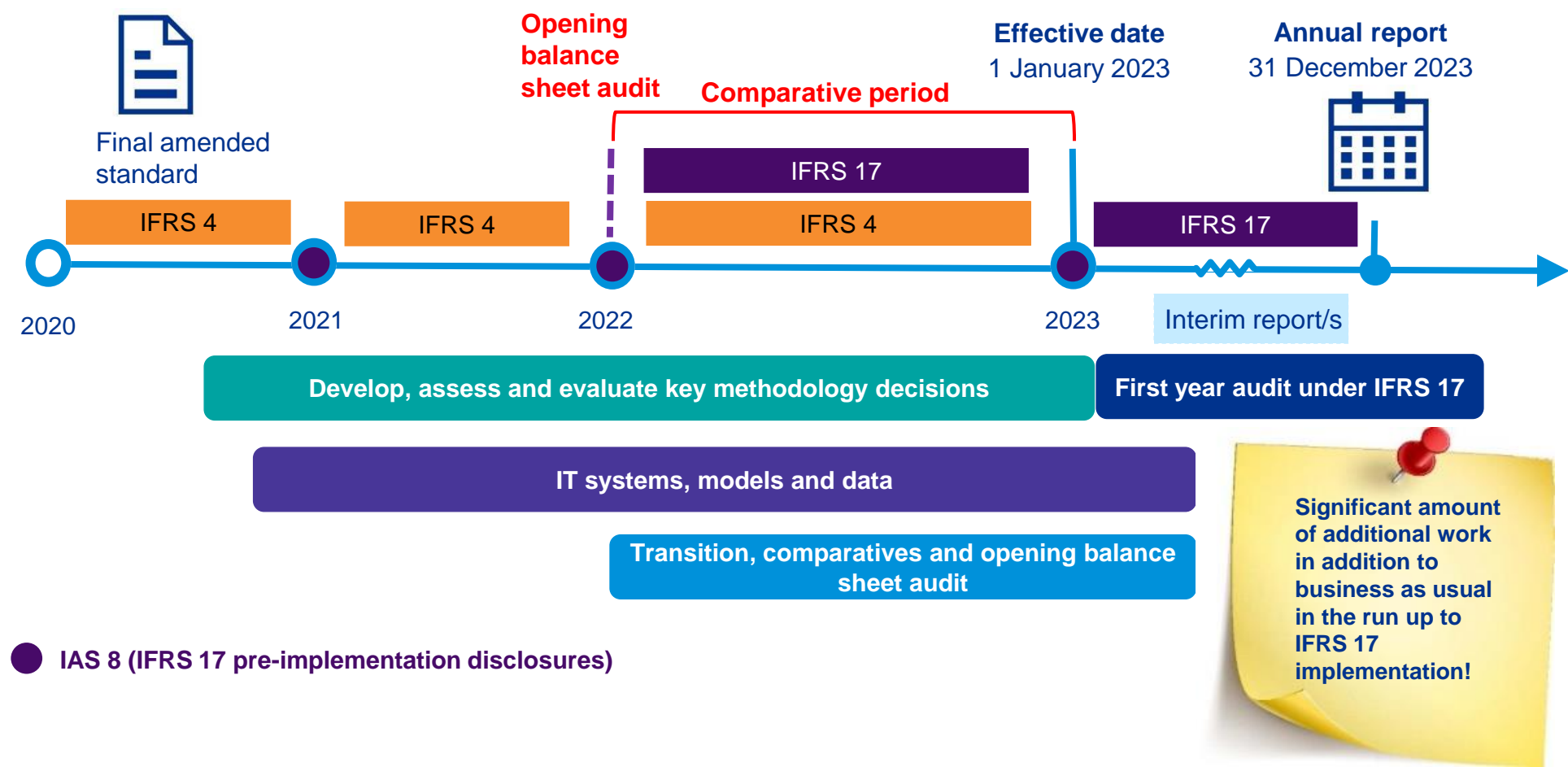
IFRS 17

Aoife O'Brien

Director, Actuarial



Journey towards IFRS 17 effective date



Setup, impact assessment and design



Average score across all respondents:

► = Average score in previous survey

Leaders

- Target finance architecture designed.
- IT Solution complete.
- Identified and sourced new data requirements.
- Finance target operating model (TOM) updated

Development Required

- Process and controls
- Evaluating and testing approach to transition

Setup, impact assessment and design



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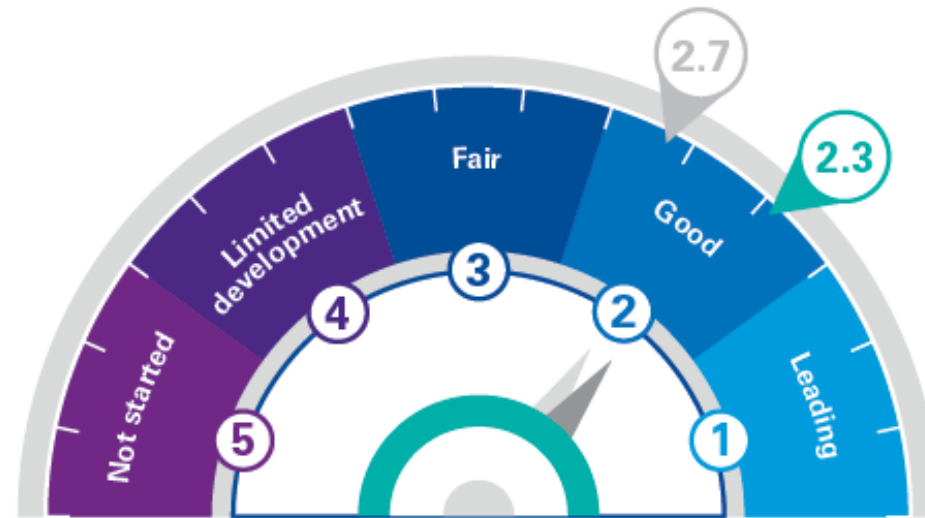
Leaders

- Target finance architecture designed.
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Development Required

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Implementation: build, configure and test



Average score across all respondents:

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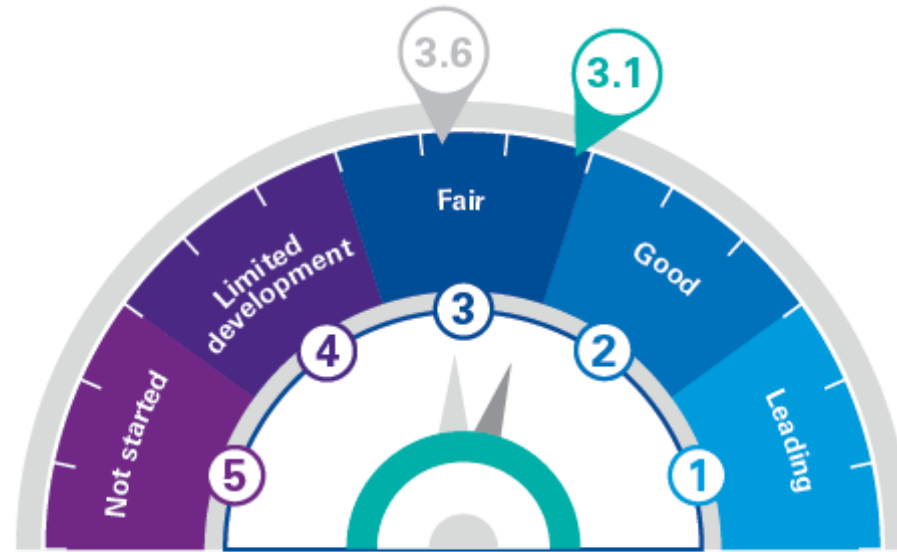
Leaders

- User acceptance testing of updated IT systems.
- Testing new data feeds.
- Updated and tested actuarial models
- Demonstrating governance and oversight over their IFRS 17 program.

Development Required

- Plans for restating the opening balance sheet.
- Configuring CSM solution.
- Drafts of future financial statements including updating chart of accounts and posting logic.

Implementation: dry runs



Average score across all respondents:

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Leaders

- End-to-end dry runs of IFRS 17 systems and solutions completed
- Updated consolidation systems to accommodate IFRS 17's changes (3).
- Plans on what data will be disclosed to help users understand the transition impact (2).

Development Required

- Updating KPIs, planning and forecasting.
- When and how to disclose the impacts of the transition to IFRS 17 to external users of financial information.

Optimization, comparatives & go live readiness



Average score across all respondents:

► = Average score in previous survey

Leaders

- Parallel running and remediation following parallel runs

Development Required

- Build plans to produce opening IFRS 17 balance sheet and comparatives, to disclose the impact of the transition to IFRS 17 to internal and external users of their financial statements and to plan for their audit.

In conclusion



Lessons Learned



Validate plans for transition.



Take the time to analyse, explain and understand the drivers of results and build the internal expertise.



Allow sufficient time to test updated processes and controls.



Evaluate implementation program – is it working, are the resources available or there warning indicators?



Secure resources to accelerate progress and reduce project risk



Build basic first, then refine and optimize.



Climate

Conor Holland

Director, FS Audit

ESG Reporting Standards



ESG Reporting Standards

International Sustainability Standards Board (ISSB)

European Financial Reporting Advisory Group (EFRAG)

International Sustainability Standards Board (ISSB)

- Launched by IFRS Foundation at COP26.
- Leverage off the best of TCFD, SASB and CDSB.
- Focus on meeting investors needs – material items.
- GRI welcomed developments.

European Financial Reporting Advisory Group (EFRAG)

- Tasked with EU Reporting Standards development under CSRD.
- Statement of co-operation with GRI in development of standards.
- Double materiality.

Complete convergence or
reduction in Reporting
Frameworks?....

Readiness for Mandatory Reporting

66%

Of companies did not include a description of the process applied to determine material topics in their reporting

54%

did not report targets set on any material topics

60%

Of companies have not disclosed progress towards achieving targets

- CSRD and ISSB - bringing about the “IFRS transition” of ESG Reporting
- Significant time, investment and expertise to understand what sustainability means for each business
- Listed companies have had a number of years to build their sustainability credentials and tell their ‘sustainability story’ and they’re still developing
- Full value chain understanding, due diligence and reporting
- Materiality assessments – opportunity to focus attentions and to reassess continuing relevance
- CSRD – double materiality
- More to do in Corporate Ireland to get ready for reporting requirements – Plc’s and Privates

Readiness Mandatory Reporting - Assurance

Only 4%

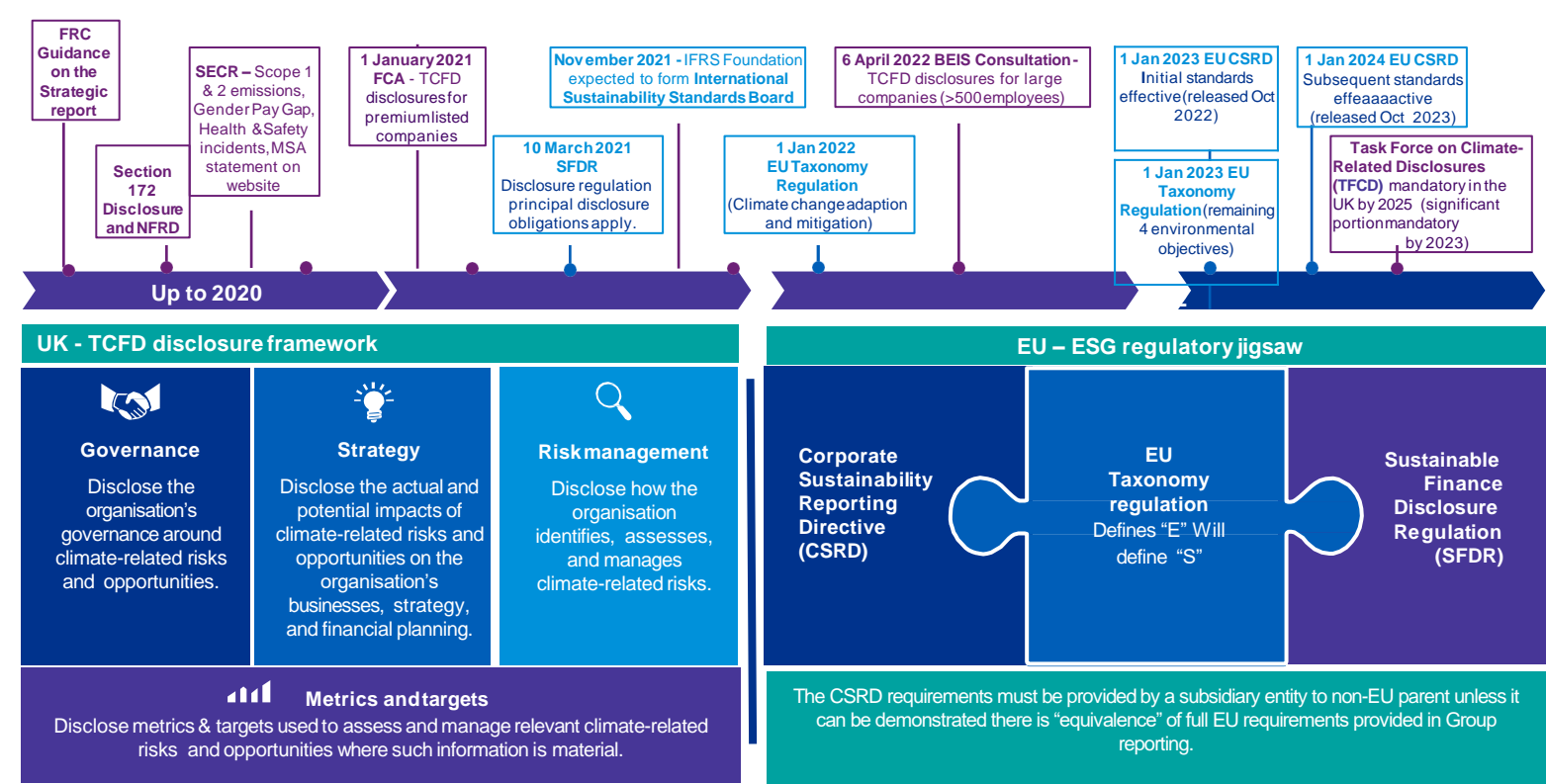
of entities examined obtain any external assurance over their sustainability-related indicators

70%

Of companies did not make any reference to double materiality in their reporting

- CSRD marks landmark shift in mandatory assurance
- Allows for greater transparency and credibility among Reporters
- Mandatory limited assurance with ambition towards Reasonable assurance
- Internal systems and data gathering considerations
- Internal processes and controls considerations

Timeline toward Mandatory Corporate Reporting



Corporate Sustainability Reporting Directive (CSRD)

On 21 April 2021 the European Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD) which would amend the existing requirements of the NFRD. The main provisions of the proposal which differ from the existing sustainability requirements of the NFRD are as follows:



Scope

- **Extends the scope** of the reporting requirements to all large companies and all companies with securities listed on EU regulated markets.

Information

- Specifies in greater detail the information that companies should disclose;
- Specifies that **qualitative and quantitative information** that is **forward looking and retrospective** and covers the **short, medium and long-term**.

Reporting

- Requires all companies within its scope to **report in accordance with sustainability reporting standards**;
- **Removes the possibility** for Member States to allow companies to **report required information in a separate report** that is not part of the management report; and
- Requires the reported information to be **digitally tagged** so it is machine readable.

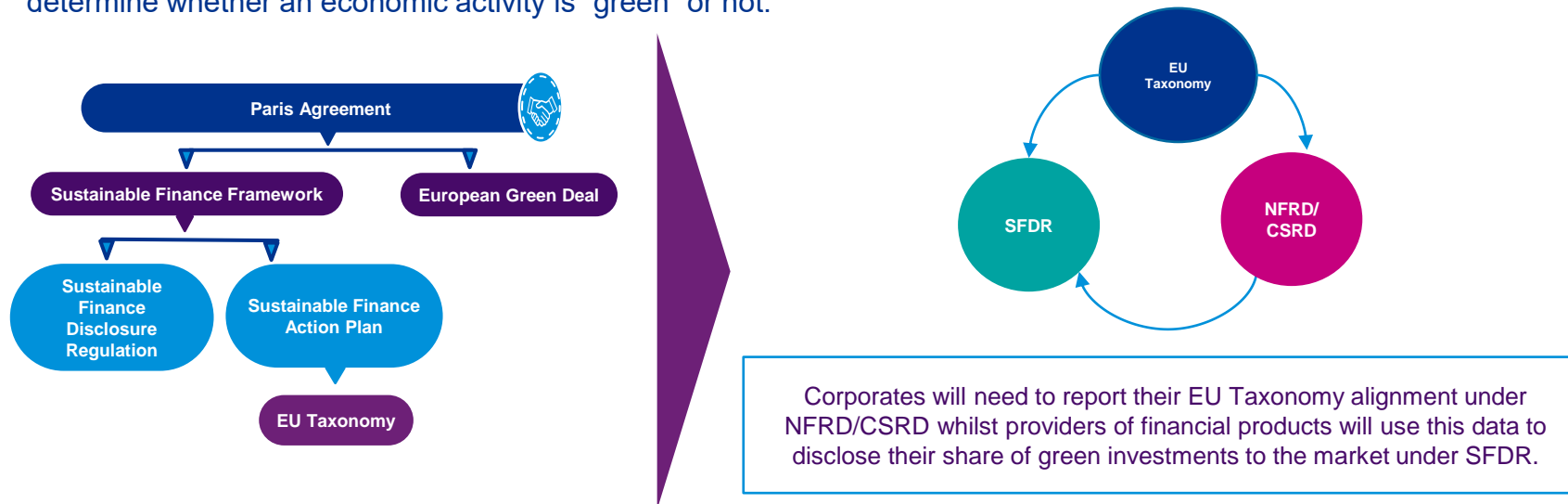
Assurance

- **Requirement** for statutory auditor to perform a limited **assurance** engagement on a company's sustainability reporting.
- Progressive approach to assurance **moving from limited to reasonable assurance** over time.

EU Taxonomy- what it means?

The EU Taxonomy is here to stay and it will significantly impact your business

The EU Taxonomy came into force on 12 July 2020 and offers a classification system for companies and investors to determine whether an economic activity is “green” or not.



For the reporting year 2021, companies will have to present their share of **eligible** activities. For the reporting year 2022 and onwards, companies will have to disclose their taxonomy **alignment** on three KPIs (CAPEX, OPEX and turnover).



What, when and where to disclose?

Article 8 of the Taxonomy Regulation requires undertakings covered by the Non-Financial Reporting Directive (NFRD) to publish information on how and to what extent their activities are associated with economic activities that qualify as “environmentally sustainable” under the Taxonomy Regulation

What?

EU Taxonomy eligibility for Mitigation and Adaptation objectives
(NFRD - FY2021)

EU Taxonomy alignment for all 6 objectives
(NFRD - FY2022)

EU Taxonomy alignment for all 6 objectives
TCFD pillars
(CSRD - FY2023)

When?

Jan
2022

Jan
2023

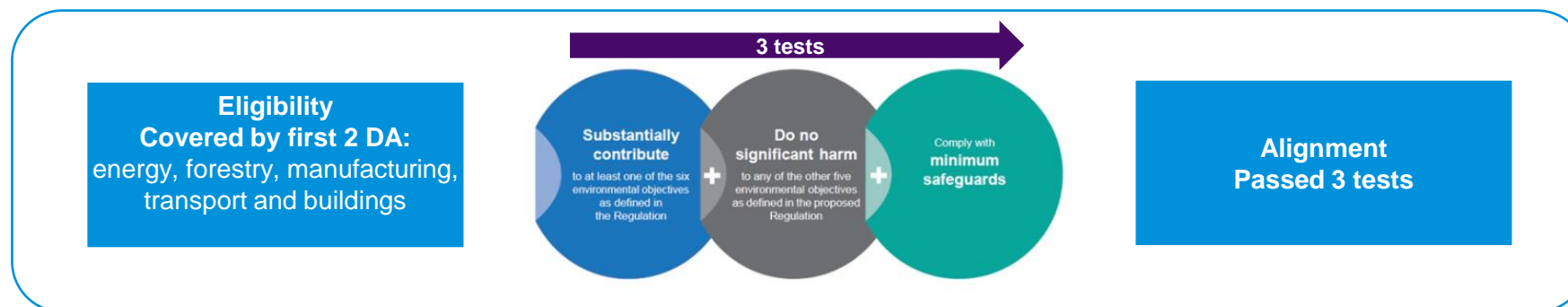
Jan
2024

Where?

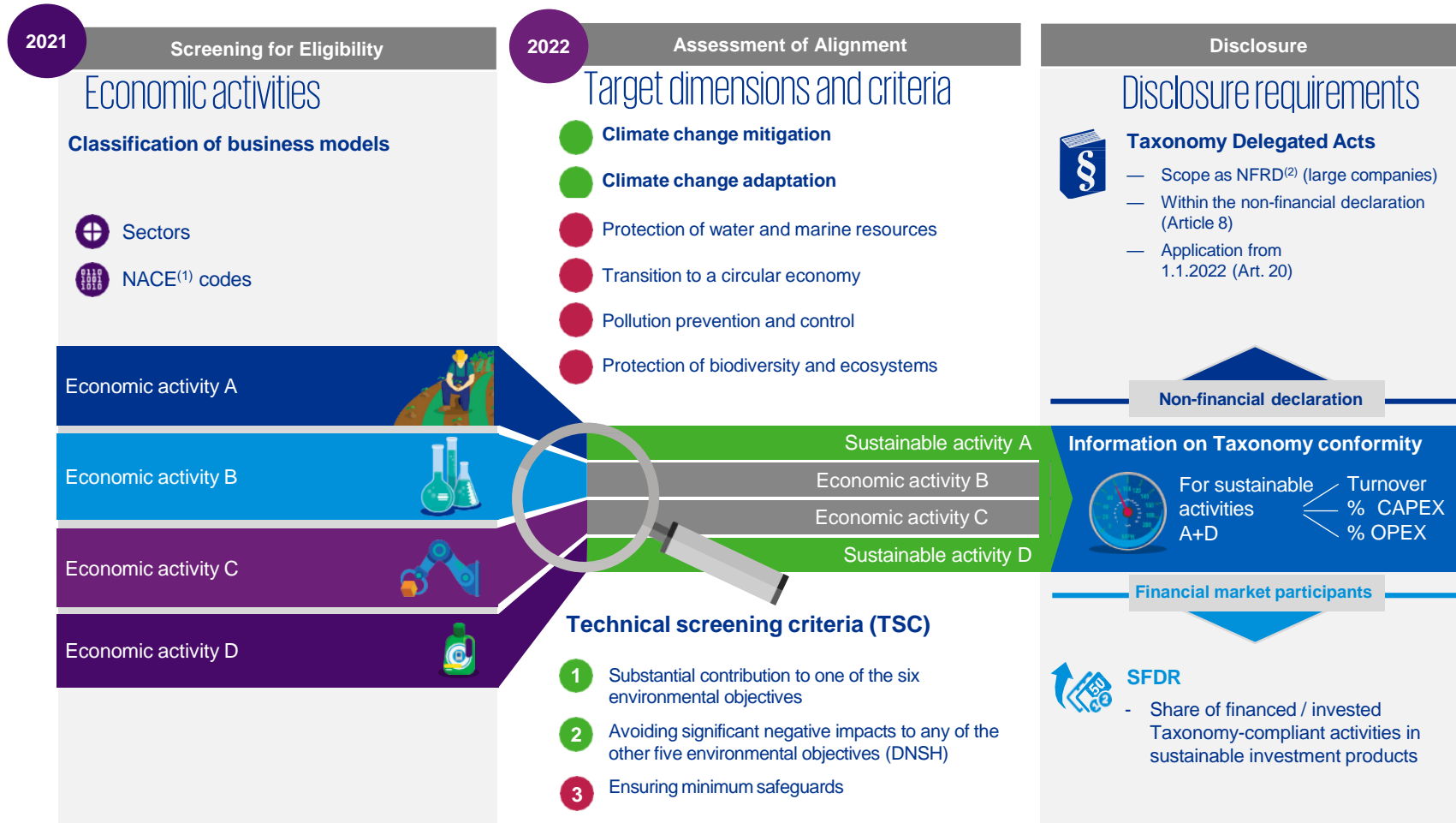
Annual Report

Annual Report

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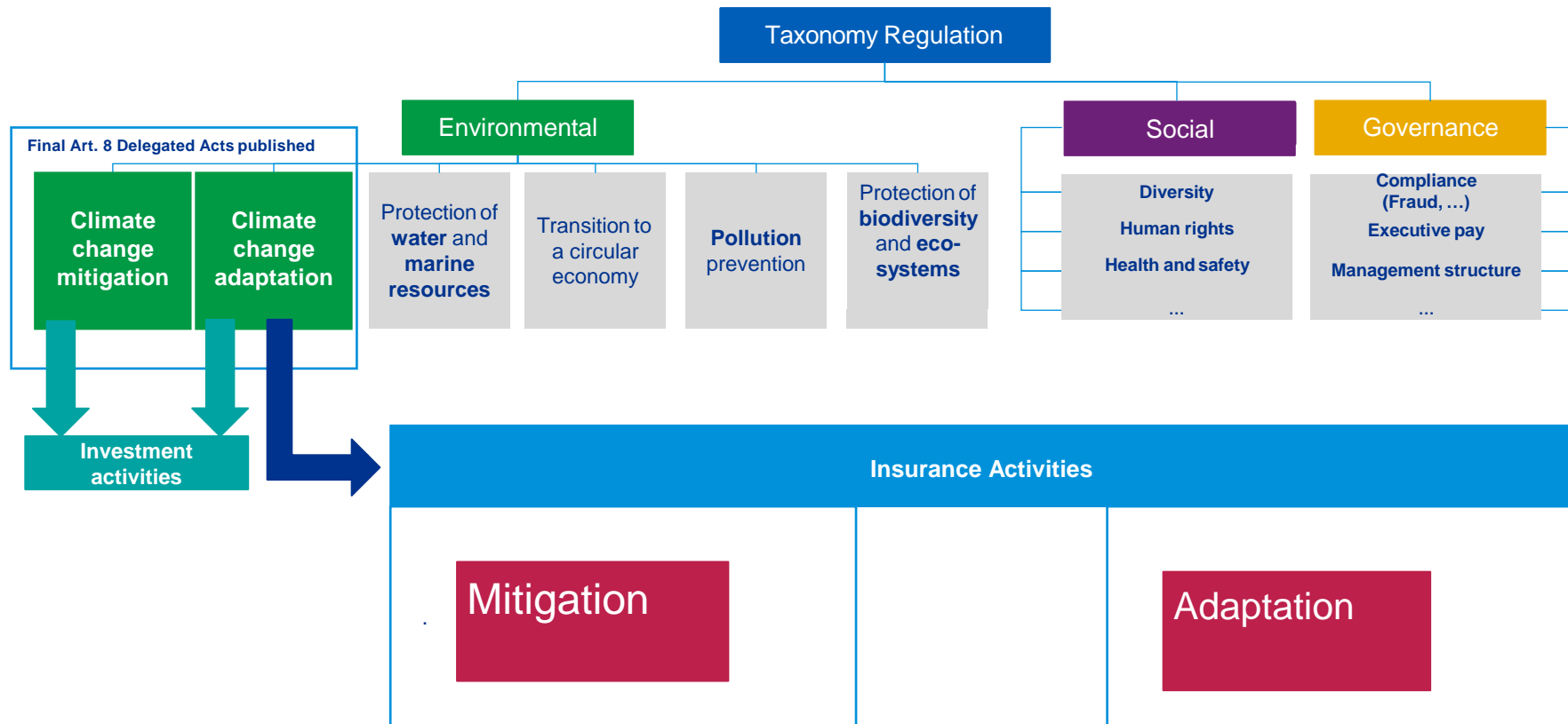
EU Taxonomy functional logic



(1) Statistical Classification of Economic Activities in the European Community or nomenclature statistique des activités économiques dans la Communauté européenne (NACE)
 (2) Non Financial Reporting Directive (NFRD)

EU Taxonomy for Insurance

Mandates disclosure of “environmentally sustainable activities” – Article 8



EU Taxonomy

Final clarity on specific KPIs to be determined

Investment KPIs

- NACE codes “activity” based
- Dealing with missing data, data sources and data validation
- Possibilities for estimates Certain exemptions to be clarified

Underwriting KPIs

- Uncertainty regarding alignment of certain products and to definition of "climate-related" premiums.
- Implementation of Technical Screening Criteria require broad interpretation
- Granularity of the assessment
- Data availability for the assessment of the DNSH criterion



EU Taxonomy – Key Implementation Challenges

Operational impact

What will the administrative burden be for your company and how well equipped are your systems?

Reporting alignment

How to integrate EU Taxonomy reporting into existing processes and align it with other frameworks such as TCFD?

Change story

How can you use the EU Taxonomy as a tool to further shape and support your change story?

Data availability

How easy is it to retrieve the required data and what changes are needed to your systems over time?

CAPEX, OPEX and turnover definition

How will you apply the definitions to your data and ensure it aligns with your current financial reporting?

Strategic steering

How might the EU Taxonomy shape your strategic decisions, e.g. regarding investments and how to communicate on this topic?

Recommendations

- 1 Don't wait for when sustainability reporting is mandated
- 2 Establish governance framework through finance function
- 3 Put ESG & sustainability reporting on the board's agenda
- 4 Understand what's material to your stakeholders
- 5 Identify data gaps using existing frameworks
- 6 Consider assurance before mandatory





Tax

Ciara Wrafter

Director, Tax



Current strategic tax issues



Thank you





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