





# Sustainability Services for Insurers

May 2024

# Key regulatory developments

	<b>Mar 21</b> Sustainability Finance Disclosure Regulation (SFDR)	<ul style="list-style-type: none"> <li>• Scope: Financial institutions that offer investment products (funds, segregated mandates, IBIPs, etc.)</li> <li>• Requirements: EU regulations require comprehensive sustainability disclosures from financial advisors and market participants to prevent greenwashing, incl. various ESG metrics at entity and product levels.</li> </ul>
	<b>Jan 22</b> Disclosures on non-financial matters (first report required for FY 2023)	<ul style="list-style-type: none"> <li>• Scope: Large Public Interest Entities (meeting the following thresholds: &gt;500 FTE and CHF &gt;20m balance sheet or CHF &gt;40m revenues)</li> <li>• Requirements: Reporting on policies, risks, and KPIs on environmental, social, employee-related, human rights, and anti-corruption matters.</li> </ul>
	<b>Jan 22</b> EU Taxonomy	<ul style="list-style-type: none"> <li>• Scope: All large EU financial institutions that are also Public Interest Entities.</li> <li>• Requirements: Financial institutions operating in the EU must disclose their portfolio exposure to environmentally sustainable activities</li> </ul>
	<b>Jul 22</b> AMAS Environmental Indicators for Real Estate Funds	<ul style="list-style-type: none"> <li>• Scope: AM firms and Investment Funds that manage real estate funds.</li> <li>• Requirements: Disclosure of environmental indicators including coverage ratio, energy mix, and energy consumption.</li> </ul>
	<b>Aug 22</b> MiFID II & Insurance Distribution Directive (IDD)	<ul style="list-style-type: none"> <li>• Scope: EU financial institutions offering investment services such as investment advice or portfolio management as well as advice on insurance-linked investment products</li> <li>• Requirements: Insurers must gather policyholder's sustainability preferences and offer suitable products, manage sustainability preferences while also providing staff training on sustainability topics.</li> </ul>
	<b>Jan 23</b> Ordinance on Climate Disclosures (first report required for FY 2024)	<ul style="list-style-type: none"> <li>• Scope: Large Public Interest Entities (meeting the following thresholds: &gt;500 FTE and CHF &gt;20m balance sheet or CHF &gt;40m revenues)</li> <li>• Requirements: Companies must implement TCFD recommendations for disclosing climate risks and opportunities, incl. scenario analysis and climate change disclosures.</li> </ul>
	<b>Jan 23</b> SBA mandatory guidelines on integration of ESG risks into investment advice and portfolio management	<ul style="list-style-type: none"> <li>• Scope: Members of SBA providing investment advice and portfolio management.</li> <li>• Requirements: Policy holders/Reinsurers ESG assessment, suitability test, and integration of ESG preferences in investment advice and AM. Consideration of ESG risks and product characteristics. ESG training for advisors.</li> </ul>
	<b>Jan 23</b> Corporate Sustainability Reporting Directive (CSRD)	<ul style="list-style-type: none"> <li>• Scope: Public Interest Entities (meeting two out of the three following thresholds: &gt;250 staff, EUR &gt;25m balance sheet, EUR &gt; 50m revenues)</li> <li>• Requirements: Extensive sustainability disclosure requirements, necessitating robust reporting procedures and ESG data collection</li> </ul>
	<b>Sep 23</b> AMAS Self-regulation on transparency and disclosure for collective assets with reference to sustainability	<ul style="list-style-type: none"> <li>• Scope: AMAS members that are Fund Management Companies and/or Asset Managers and manage Swiss ESG Funds.</li> <li>• Requirements: Minimum ESG standards for asset managers and creators of collective investment schemes, including investment scope, data recording, and reporting.</li> </ul>
	<b>Jan 25</b> Federal Act on Climate Protection Targets, Innovation and Strengthening Energy Security	<ul style="list-style-type: none"> <li>• Scope: All Swiss companies</li> <li>• Requirements: Defines emission reduction targets for Scope 1 and 2 emissions</li> <li>• Bi-annual voluntary climate compatibility assessments for financial institutions</li> </ul>

## Coming 2024 and beyond

	<b>FINMA Circular on nature-related financial risks</b>		<b>Greenwashing Position Paper of the Federal Council</b>		<b>ESAs consultation on greenwashing</b>		<b>Corporate Sustainability Due Diligence Directive (CSDDD)</b>		<b>ESMA consultation on fund names / Revision of SFDR</b>
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Currently in force
  In transition
  In consultation



# Our Service Offering

## 01 Sustainability strategy



- Training for board members, top management or other stakeholders in the company
- Systematic identification of sustainability issues that are relevant to the company and its key stakeholders
- Developing and implementing governance models around ESG issues
- Definition of sustainability goals and corresponding KPIs that are aligned with the corporate strategy

## 02 Regulatory, ESG risk integration & business transformation



- Gap analyses, impact assessments and implementation plans for new regulatory requirements
- Integration of ESG risks into existing risk inventory and processes
- Drafting or reviewing of policies, guidelines or manuals
- Integration of ESG into key processes and controls (e.g. investment decisions, risk management, due diligence etc.)
- Greenwashing risk analyses and identification of mitigating actions

## 03 Decarbonization



- Calculation of the carbon footprint of portfolios according to PCAF
- Impact analysis of different scenarios and definition of medium/long-term objectives
- Target setting and tracking relevant indicators
- Drafting of transition plan that align with the institutions sustainability/net zero goals
- Drafting business plans for a defined net zero strategy

## 04 Climate stress tests and scenario analyses



- Developing (or validating) customized solutions to calculate the financial impact of climate risks on assets and liabilities
- Identifying coherent ways to manage physical and transitory risks
- Development of a framework including integration into risk management, corporate management and reporting

## 05 Business steering and controlling



- Implementing of non-financial indicators by defining responsibilities, conducting training, updating accounting manuals or setting up controls
- Methodologies and tools for monetizing externalities and developing mitigation strategies
- Design of end-to-end processes for non-financial reporting and implementation of respective IT systems

## 06 Transparency and disclosures



- Compilation of non-financial data in accordance with recognized reporting standards (CSRD, GRI, SASB, ISSB, SFDR, etc.)
- Support in the preparation of the Group report, pre-contractual disclosures or non-financial reports
- Impact assessments for future reporting requirements and reporting strategies

# Your Challenges – Our Solutions

	Your challenge 	KPMG Service 
Strategy	Incomplete ESG knowledge and responsibilities hinder effective management	<b>01 Sustainability strategy</b> Training sessions and workshops for Boards, Executive management and control functions
	Institutions lack clarity on their position compared to peers and impact of ESG-related regulation	<b>01 Sustainability strategy</b> ESG Health check: Provides a fast overview of a firm's maturity and highlights priority areas to take action.
	Navigate the evolving regulatory landscapes regarding decarbonization, manage risks associated with carbon-intensive investments, and deep understanding of business models in high-impact industries to effectively support sustainable financing initiatives	<b>03 Decarbonization</b> We can assist you with the calculation of the carbon footprint of your portfolios (financed emissions) according to PCAF as well as target setting (using Science Based Targets where appropriate) and tracking of relevant indicators as well as the drafting of transition and business plans using various decarbonization levers. We can also perform scenario analysis to assess the financial impact of your transition plan.
Marketing	Communicating on ESG-related products, services and commitments of the firm without increasing greenwashing risk	<b>02 Regulatory, ESG risk integration &amp; business transformation</b> With a Greenwashing Risk Analysis, based on our KPMG Greenwashing Risk Framework, we can identify potential greenwashing risks and propose mitigation actions.
Non-financial reporting	Lack of clarity about reporting content to ensure compliance with applicable non-financial reporting standards and meet expectations of stakeholders	<b>06 Transparency and disclosures</b> A Materiality Assessment provides clarity on material topics to be reported by an institution while considering regulatory requirements and the expectations of stakeholders.
	Manual and error-prone non-financial reporting processes that do not allow the ongoing monitoring of the institution's progress on its sustainability goals	<b>05 Business steering and controlling</b> We prepare an assurance-ready Non-Financial Disclosure Manual that documents the entire reporting process, methodologies and responsibilities. We define a full or partial set of non-financial KPIs and implement an end-to-end non-financial reporting solution.
ESG risk integration and management	The Insurer's own portfolio, as well as that of its policyholders/reinsurers is exposed to a range of ESG risks. A lack of clarity, or the absence of robust risk management around these risks can lead to unexpected losses	<b>02 Regulatory, ESG risk integration &amp; business transformation</b> With an ESG Risk Screening based on industry or geographic we can identify and assess the materiality of climate and other ESG risk drivers for your business. We can then map these drivers to existing risk types and build and design governance models, tolerance levels and KPIs.
	It is challenging to assess the impact of ESG and climate risks in particular under differing future scenarios	<b>04 Climate stress tests and scenario analyses</b> We use a suite of qualitative and quantitative tools of varying sophistication to assess the vulnerability of a portfolio to a hypothetical climate scenario (e.g. our tool Climate IQ).

# Our proprietary technology solutions

## Climate IQ

Climate IQ uses tried and tested methodologies to set net zero targets, quantify transition and physical climate risks and identify opportunities.



## ESG Health Check

The ESG Health Check offers a quick overview of the maturity-grade of a financial institution's ESG implementation (incl. policy, strategy, KPIs and reporting).



## KPMG tools for ESG reporting



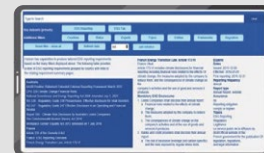
### ESG Target Operating Model

Assess and document the current state of the organization's ESG program.



### ESG Metrics Translator

Assists in mapping ESG metrics to guidance frameworks and data vendors.



### Regulatory Horizon

Identify existing and potential ESG regulation and standards for reporting requirements.



### Reporting Diagnostic

Evaluate publicly available disclosures against 119 unique SEC disclosures.



### Reporting Readiness

Gap analysis of entity's current state vs regulatory reporting requirements.



### Multi-Framework Reporting Comparison

Deliver a single global ESG reporting tool for ISSB, TCFD, SEC, ISSB, and CSRD/EFRA.

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