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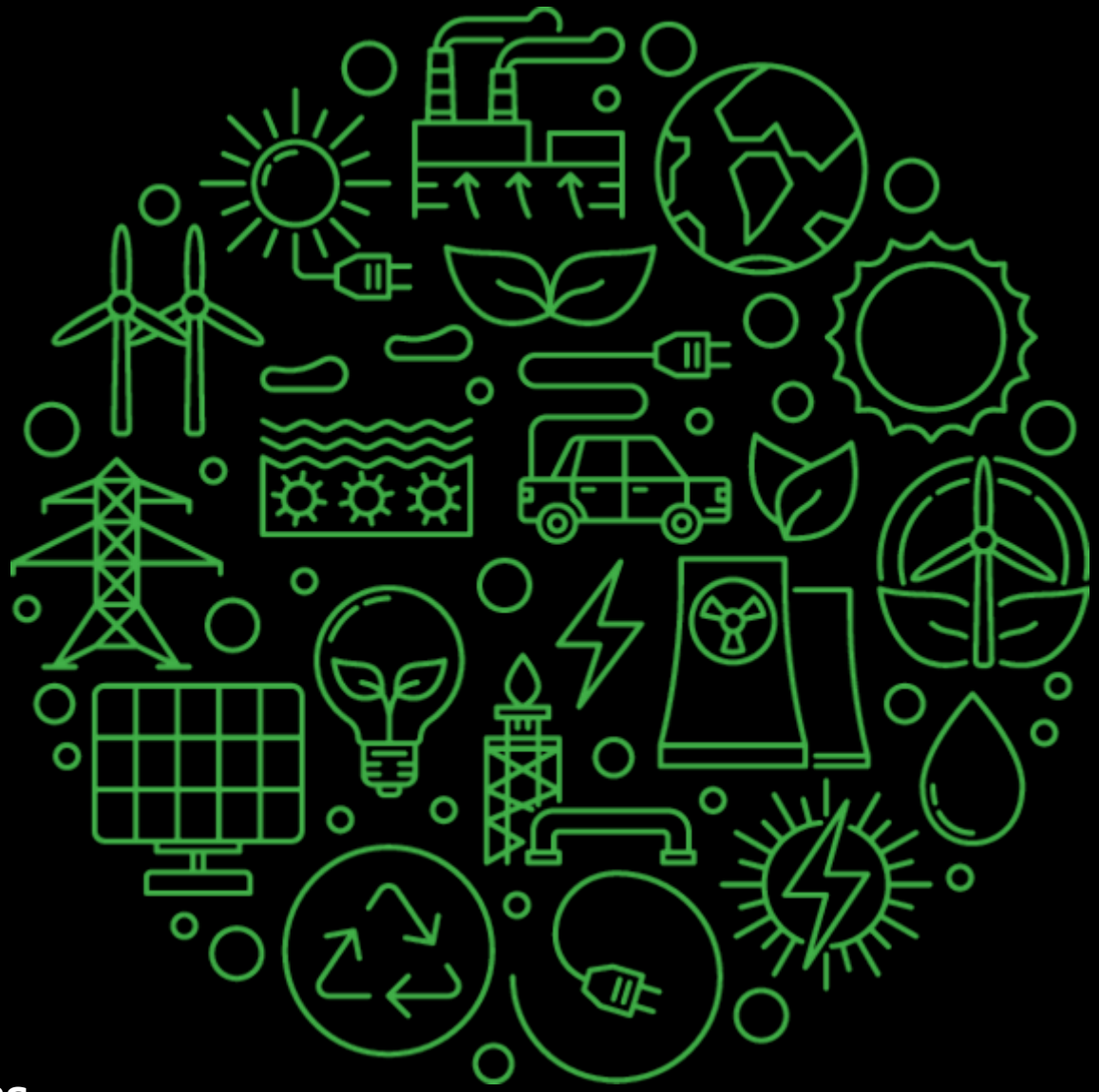

Insurance Finance Solutions

Mandatory Climate Reporting – A Practical Approach

11 April 2024

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Welcome

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Our Guests

Agenda

Preparing for Mandatory Climate Reporting

Enabling Strategy – Underwriting Net Zero Ambitions

Enabling Reporting – Insurer Scope 3 Emissions Calculations & Reporting

Wrap Up – Why Insurers are Critical to the Net Zero Transition

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Mandatory Climate Reporting in Australia

Commonwealth Treasury
Exposure Draft Legislation

My Stuff & Me Insurance Company Pty Ltd

Annual Report
FY 25/26*

Table of contents:**

Management commentary
1. Directors Report
2. Auditor's Report**s**
3. Financial Report
4. **Sustainability Report**

* Earliest effective date understood to be 1 Jan 2025
**Illustrative only. Based on Cth. Treasury's Exposure Draft Legislation

Australian Accounting Standards Board
Sustainability Reporting Exposure Draft ED SR1

GOVERNANCE
Disclose information about the governance processes, controls and procedures used to monitor and manage **climate-related risks and opportunities.**

METRICS & TARGETS
Disclose information on climate-related metrics and targets to enable users to understand an entity's performance in relation to its **climate-related risks and opportunities**.
Quantification will include mandated metrics (e.g. GHG emissions, amount of business exposed to climate risks) and those set by the entity to monitor performance of its climate-related strategy.

STRATEGY
Disclose information to enable users to understand an entity's strategy for managing **climate-related risks and opportunities** over the short, medium and long term, the financial impacts of those risks and opportunities over the various horizons along with current and anticipated effects of climate risks and opportunities on the business model and value chain.

RISK MANAGEMENT
Disclose information about the processes the entity uses to identify, assess, manage and prioritise **climate-related risks and opportunities.**

Reporting and Assurance Timeline

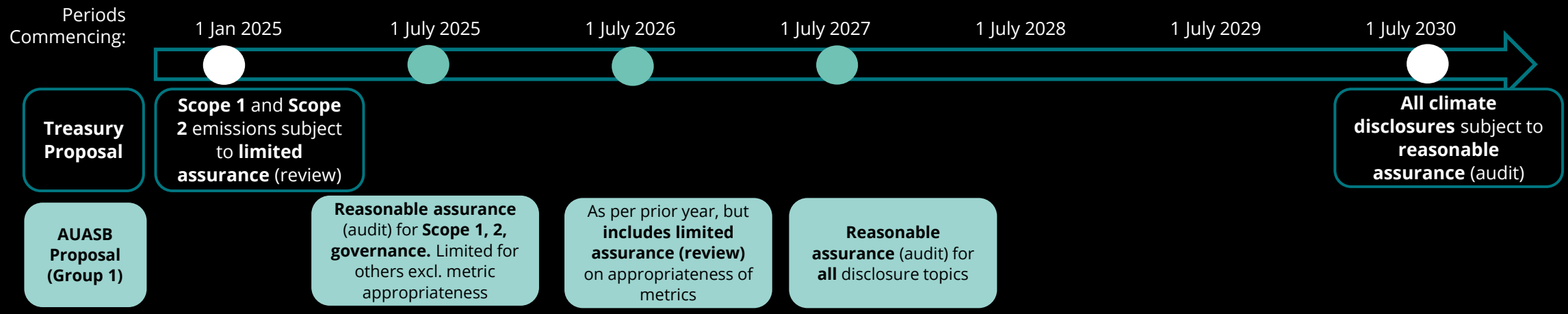
Changes need to be made to the *Corporations Act 2001 (Cth)* for Australian Sustainability Reporting Standard (ASRS) Exposure Draft (ED) and assurance requirements to take effect

Group	Reporting periods beginning	Large entities and their controlled entities meeting at least two criteria:			National Greenhouse and Energy Reporters (NGER)	Asset Owners
		Employees	Consolidated gross assets	Consolidated revenue		
1	1 Jan 2025*	More than 500	$1 billion or more	$500 million or more	Above NGER publication threshold	N/A
2	1 July 2026	More than 250	$500 million or more	$200 million or more	All other NGER reporters	$5 billion assets under management or more
3	1 July 2027	More than 100	$25 million or more	$50 million or more	N/A	N/A

* Application date has not been finalised by Treasury. Draft legislation introduced to parliament indicates 1 Jan 2025 as the earliest potential implementation date.

Assurance

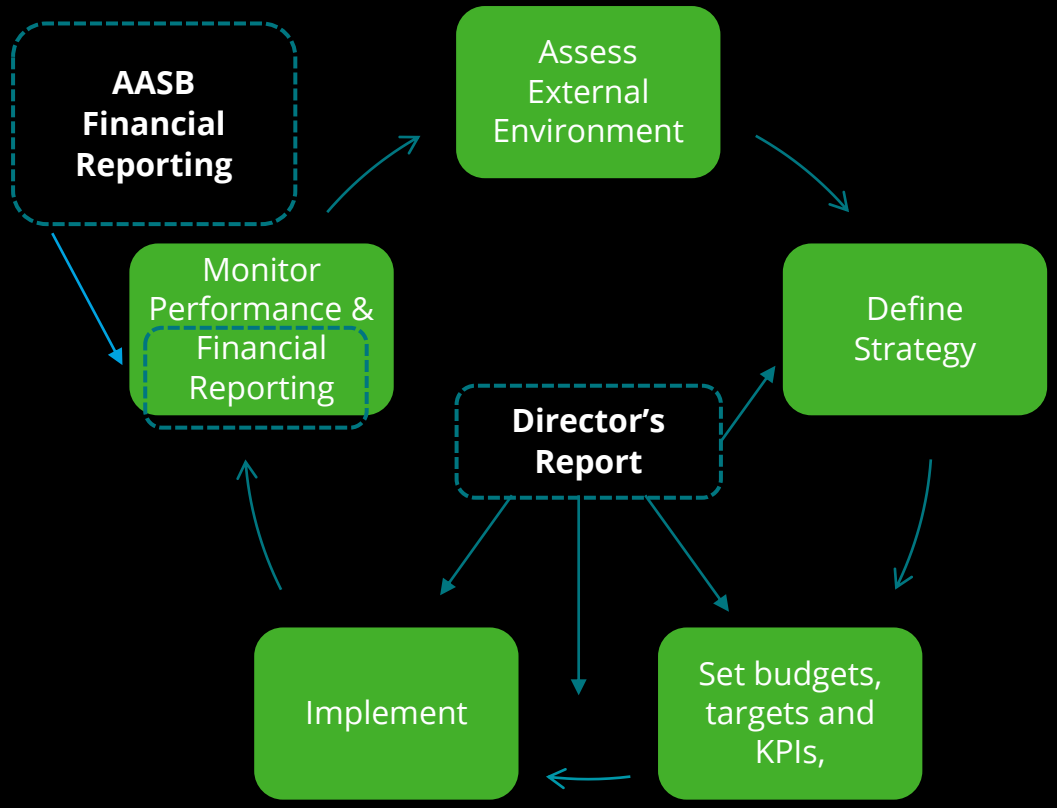
The **Auditing and Assurance Standards Board (AUASB)** will develop a pathway for phasing-in of assurance requirements, between the start and end position proposed by Treasury. AuASB consultation paper provided a possible phasing for group 1 entities requiring Reasonable assurance by FY28



Mandatory Climate Reporting will be transformational

Action is required beyond core reporting and sustainability teams

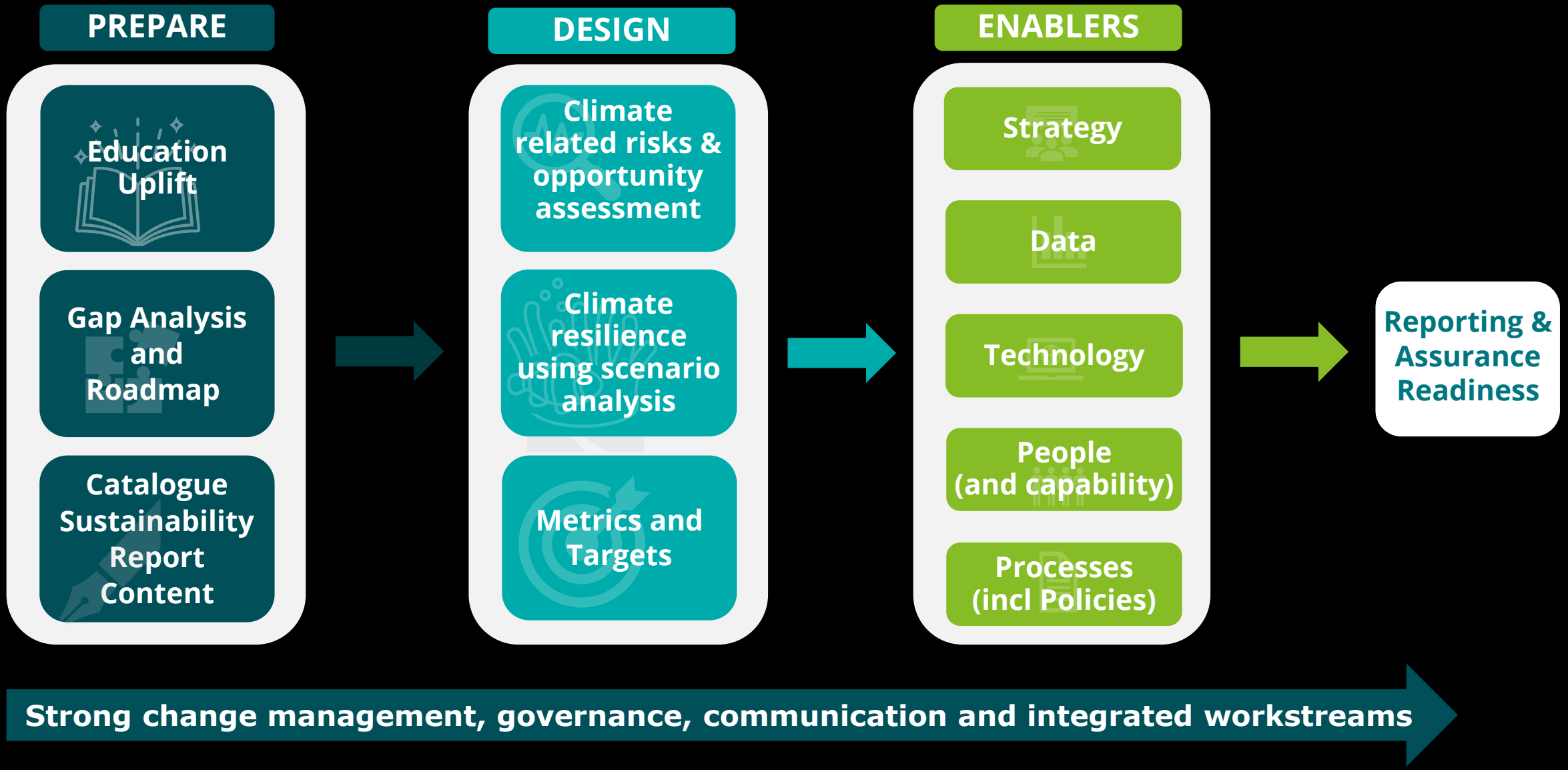
Typical Business Reporting



Climate-related reporting

How do you get started?

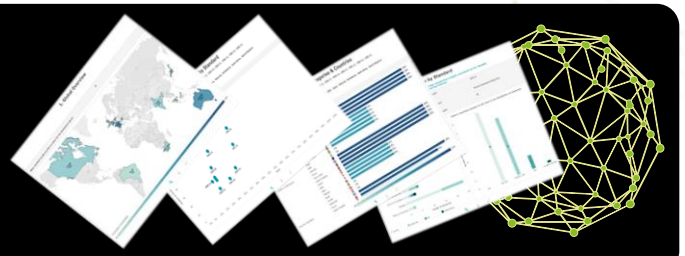
Pathway to a solution - *Preparing*



SustainNext™

Deloitte's Generative AI enabled **Sustainability Reporting Readiness Accelerator** tool that helps organisations navigate and prepare for the changing Sustainability reporting landscape. **CSRD, ISSB** and the **Australian (ASRS) exposure draft** are uploaded

Real time view of climate compliance



Built by auditors

Gen-AI guided, human validated

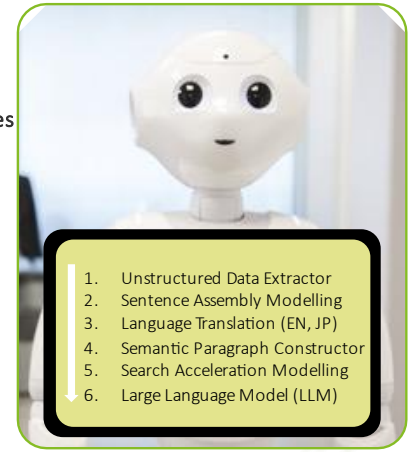
SustainNext™

Generative AI Engine → **Web-based Workflow** → **Real-Time Dashboard**

Left

Existing Public ESG Reporting Disclosures

- Annual Report
- Sustainability Report
- Modern Slavery Statement
- Risk Management Framework
- +



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Sustainability and Climate Standards Disclosure Requirements

- ISSB / IFRS
- CSRD / ESRS
- +

1. See **AI suggestions** of *relevant content to the requirement*
2. See **AI suggestions** about the *extent of disclosure compliance achieved in this requirement*
3. Assess **EACH REQUIREMENT** at a time
4. Apply **SME ASSESSMENT** and validate the extent of disclosure achieved
5. Capture **SUPPLEMENTARY INFORMATION** to support insights
6. View the overall performance across **ALL STANDARDS**

Ingest line items from regulation

Gen-AI analyses and organises information to provide suggested content and rating

Ingest public disclosures of an organisation

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SustainNext™ Generative AI

AI Platform power combined with Deloitte's deep SME expertise

Ingest public disclosures of an organisation

SustainNext™ Generative AI analyses and organises information to provide suggested content and rating. **Deloitte SME team** then analyses and provides expert opinion against each disclosure requirement

Ingest line items from regulation

Left

Annual Report and Financial Statements

Sustainability Reports

Sustainability Reporting Policies and Procedures

Environmental Sustainability Policy

Modern Slavery Report

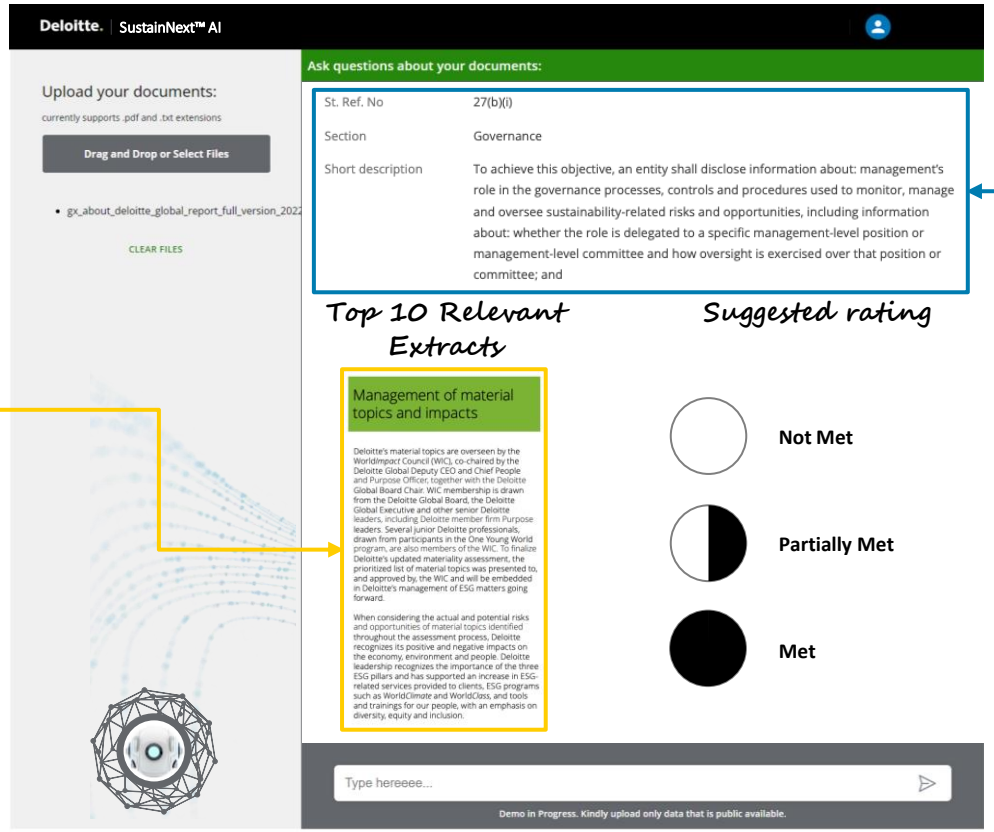
Risk Management Framework

Climate Action Report

AFR Article

Forbes Article

Any Public Disclosure...



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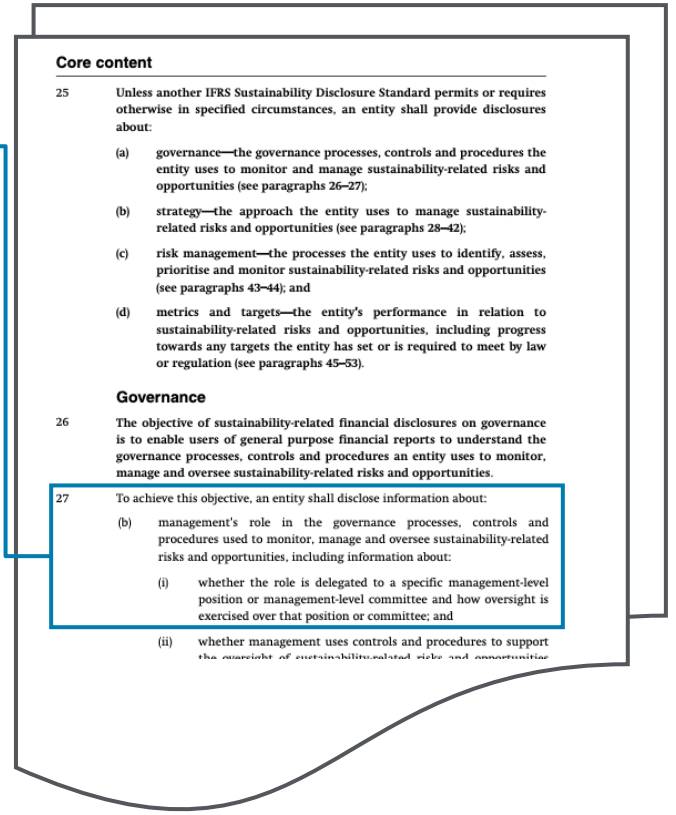

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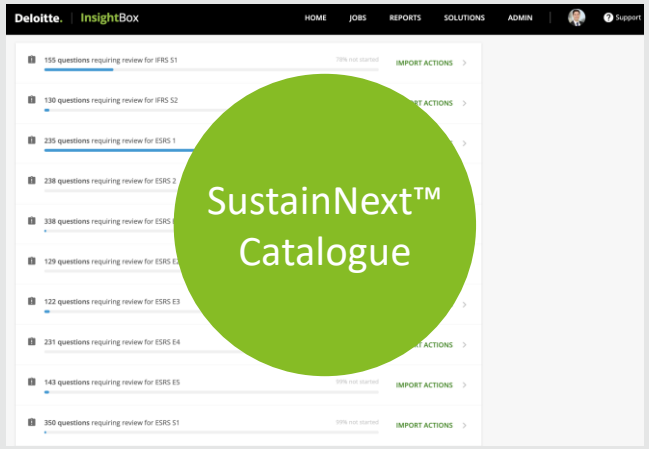
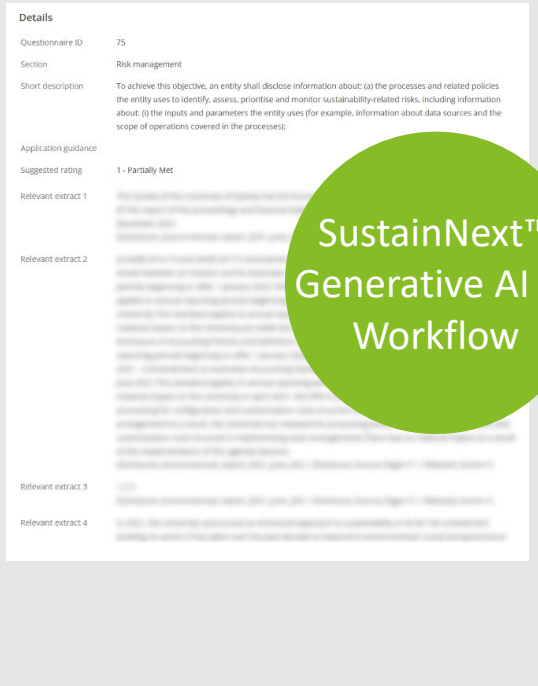
SustainNext™

Key modules





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Sustainability and climate-related financial reporting: ISSB, ASRS and beyond

Future skills short course - Creating the finance, risk, and sustainability professionals of the future

RMIT Online

Why this course

Deloitte has collaborated with RMIT Online to address the rapid skill uplift required for Australian businesses to meet new global sustainability and climate reporting standards: ISSB, ASRS and beyond.

In recent years, the sustainability and climate-related reporting landscape has significantly shifted, creating new obligations for organisations both globally and locally.

With the introduction of the International Sustainability Standards Board's IFRS S1 and IFRS S2 ("ISSB") and the draft Australian Sustainability Reporting Standards ("ASRS"), Australia's largest listed and unlisted companies and financial institutions will need to enhance their internal understanding, skills and capability to implement and disclose against the upcoming reporting requirements.

In response, Deloitte and RMIT Online have collaborated to create this multi-faceted course to empower learners to identify risks, unearth opportunities, and devise strategies that tackle financial, sustainability and climate-related challenges.

Learners will be prepared to thrive amidst a changing landscape, with a course that lays the groundwork for understanding and navigating evolving sustainability and climate-related standards.

Course outline

The course is asynchronous, online and set across 6 weeks. The **standard version** comprises of the 6 modules, asynchronous feedback and access to the RMITO pool of mentors for questions and feedback. The **Premium version** includes an additional welcome webinar, and weekly webinars hosted by Deloitte and RMITO experts.

Week 0	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7
Standard – Asynchronous Content							
Welcome Module	Module 1: The regulatory landscape, business model and value chain	Module 2: Materiality, risks and opportunities and strategic responseS	Module 3: Climate science and scenarios	Module 4: Transition plans – decarbonisation, mitigation, and adaptation	Module 5: Metrics, targets, data requirements and technology	Module 6: Connecting financial impacts to disclosures	Assessment
Premium – Asynchronous Content and synchronous expert webinars							
Welcome Webinar Onboarding	Weekly Webinar (1 hour, RMITO)	Expert Webinar (1 hour, Deloitte)	Weekly Webinar (1 hour, RMITO)	Expert Webinar (1 hour, Deloitte)	Weekly Webinar (1 hour, RMITO)	Expert Webinar (1 hour, Deloitte)	

Key information

Enrolment	Please enquire for enrolment intakes
Prerequisites	None
Time commitment	100% online Standard option: 25 hours, 4 hours of self-paced learning a week
Premium option	25 hours, 4 hours a week. Includes 1-hour online webinar per week with Deloitte subject matter experts and RMIT Online mentors
Method of study	Online study, including interactive videos, assignments and prescheduled webinars
Cost	From $1600 (incl. GST per learner)

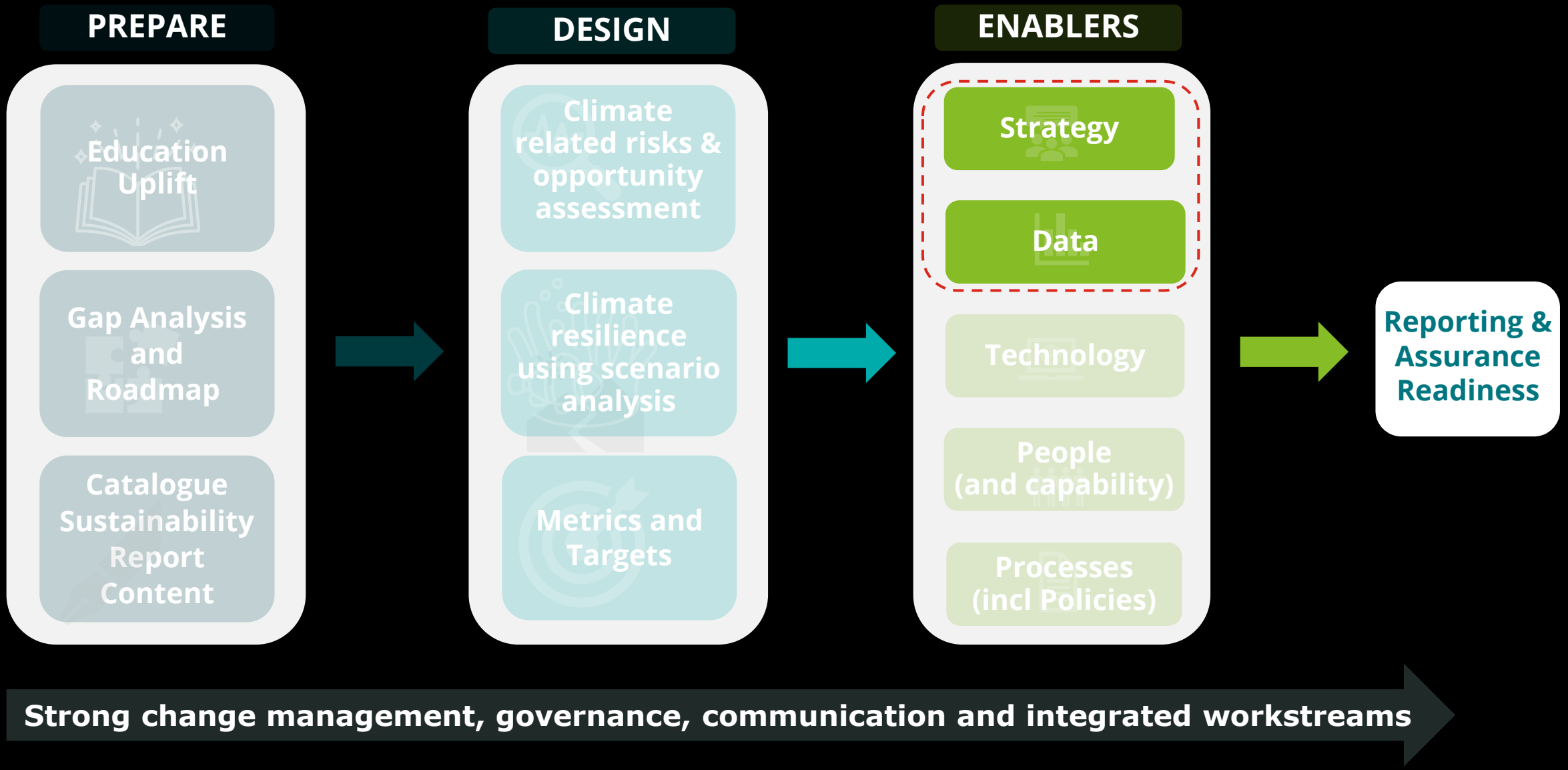
How the course is differentiated

- Exceptional content
- Collaboration between industry and a world leading university
- Deloitte expertise
- RMIT Online Credential
- 100% online and flexible
- Supportive community
- Value beyond compliance

For more information, please visit our landing page

How do you get started?

Pathway to a solution



Evolving AI trends in Financial Services and Insurance

What we are hearing in the market

79%

of respondents are testing GenAI solutions across their enterprise[1]

31%

of leaders believe AI will drive substantial transformation in their organisation in less than 1 to 2 years.

91%

of organisations expect generative AI to improve their organisation's productivity

***Where we were** (trends for last year - 2023)*

Roadmap

Governance

Point Solutions

Experimentation

Exploration

Proof of Concepts

***Where we are** (2024 and beyond)*

Operationalising Model

Scale

Purpose Build Solutions

Risk Mitigation

Talent

Skills

Source:
[1]Deloitte, State of AI in the Enterprise
[2]State of Ethics and Trust in Technology
*Executive Pulse: AI Initiatives take shape across the enterprise

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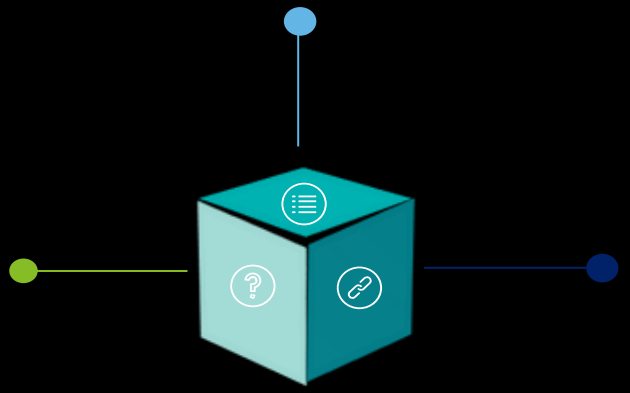
Expediting our Journey Towards a Net Zero Economy

Our Value Proposition

- Transitioning to a net zero economy is a key imperative for the world and Australia
- Growing number of organisations are mindful of their sustainability commitments but we have an opportunity to do more!
- Leading organisations are not only improving their own emissions but their clients' emissions as well by redefining their service and sales strategy that provides sustainability opportunities and advocacy to their clients

- Existing solutions for gathering sustainability commitments for clients from market disclosures is highly manual making the exercise a time consuming as well as resource and capital-intensive activity



- Deloitte's solution automates the process of determining the sustainability commitments of your client base
- Further, the solution provides insights that can be easily digested at all levels of the organization.
- Combined with other Deloitte climate services, it allows you to define your advocacy plan as well as reshape your product, sales and service strategy to serve your clients whilst acting as a catalyst for change

Business Outcomes

Enhance Brand Equity

Increase Market Share

Uplift Employee Experience

Expediting our Journey Towards a Net Zero Economy

Generative AI Enabled Solution

A customisable Generative AI based solution that ingests publicly available data for your client base, processes the information using Microsoft's OpenAI services and provides insights for sustainability commitments in multi-modal format

DOCUMENTS

Ingest trusted and approved reports (e.g.Annual, ESG and CERA reports) for your clients

VALIDATE INPUT PROMPTS

Validate our 80 input prompts to select the ones that are beneficial for you Example. "When was the last Scope 3 emissions reported?"

GPT OUTPUT

Example. "31-06-2022 Reference: Taken from Client A ESG Report

USER FEEDBACK

What kind of questions were answered accurately and what kind of questions were NOT?

GPT UPDATED OUTPUT

Adapt and customise the solution using various prompt refinement techniques to provide a more accurate answer

REPORTING

Provide report for your clients in multi modal format such as reports, dashboards and database tables

Our Perspective on Similar Use Cases in Other Value Chains

There are several use cases that can leverage the five capabilities delivered by our solution

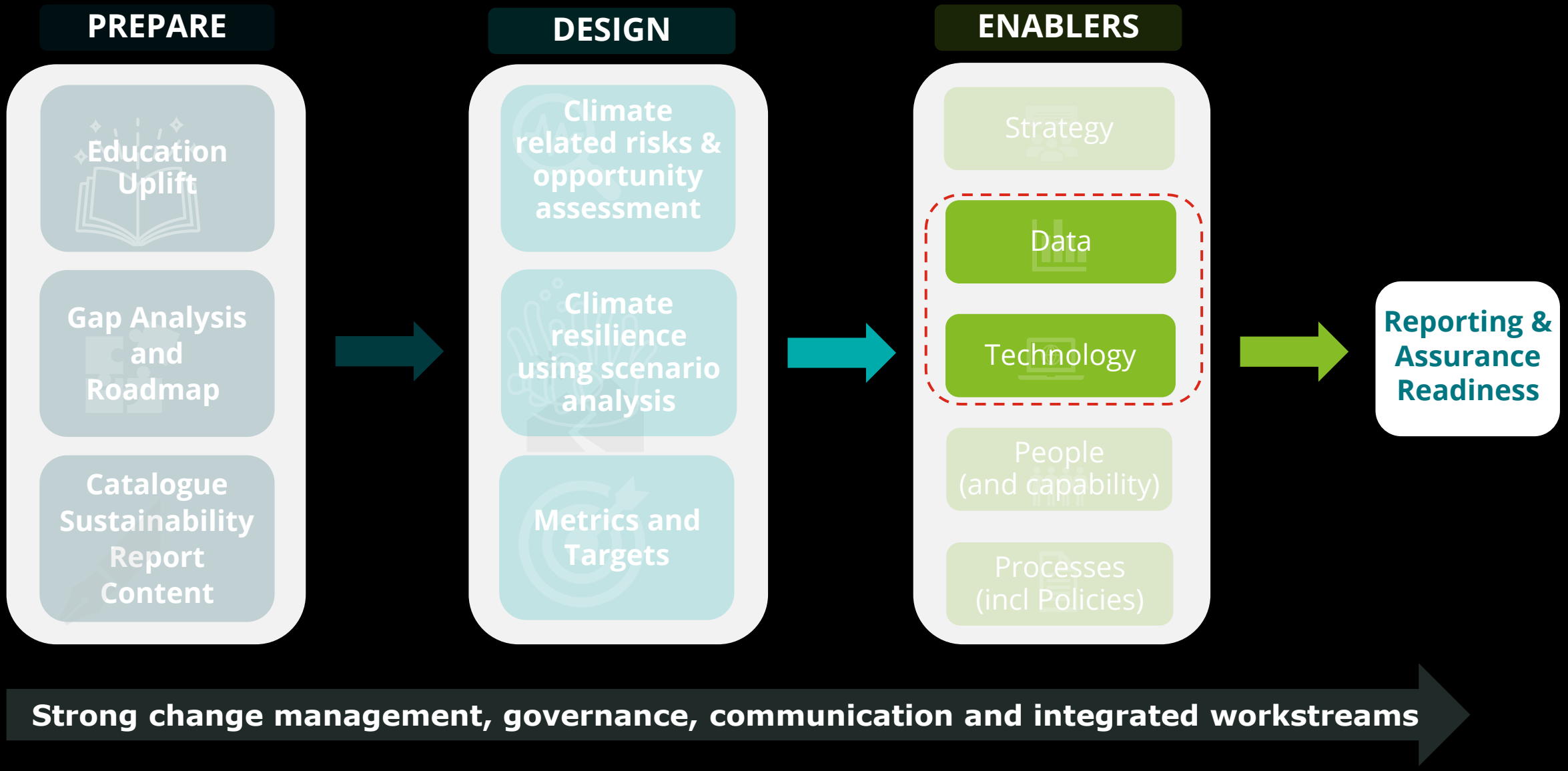
Functions	Policy Underwriting	Claims Processing	Actuarial Analysis	Customer Service	Fraud Detection and Prevention	Underwriting Compliance	Risk Management	Data Analysis and Insights
Illustrative GenAI Use Cases	**Automate risk evaluation** and underwriting, improve **accuracy in risk assessment, enable** real-time pricing based on **data analysis**	**Automate claims intake** and triage, enhance fraud detection, accelerate claims evaluation and settlement, improve **customer experience**	Utilise AI for **advanced risk modelling**, **automate premium calculation**, **enhance accuracy** in loss reserving	Implement AI-powered chatbots for customer support, **personalise policy recommendations, automate policy changes and renewals**	Leverage AI for **real-time fraud detection, analyse** claims data for **patterns and anomalies**	**Automate compliance** checks, **improve accuracy** in document verification	Utilise AI for **advanced risk analytics**, **automate portfolio analysis**, identify potential risks and **recommend mitigation strategies**	Leverage AI for **data-driven insights**, segment customers, analyse **market trends**
Reusability	Risk Assessment	Claims Intake	Risk Modelling	Policy Inquiries	Fraud Risk Assessment	Compliance Checks	Risk Assessment	Customer Segmentation
	Policy Pricing	Evaluation	Premium Calculation	Policy Changes	Anomaly Detection	Document Verification	Portfolio Analysis	Market Research
	Underwriting Decisions	Settlement	Loss Reserving	Renewals			Risk Mitigation	Predictive Analytics

Finance and Reporting

Suitable for leveraging existing Gen AI capability

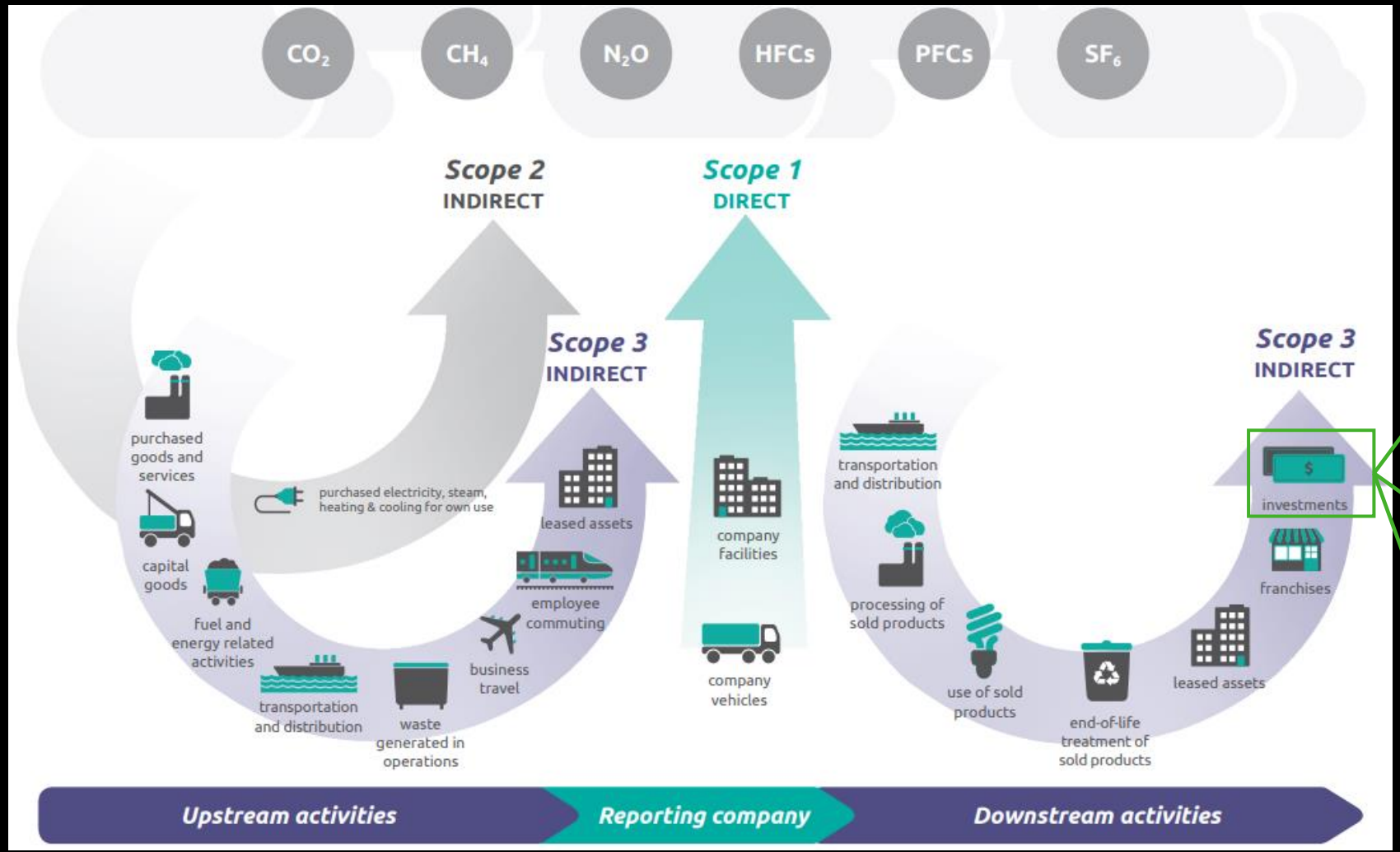
How do you get started?

Pathway to a solution - *Preparing*



Scope 3 - Category 15 (Sub-categories)

Scope 1,2 & 3 emissions as represented in the GHG protocol



Financed Emissions

- Listed Equity & Corporate Bonds
- Business Loans & Unlisted Equity
- Project Finance
- Commercial Real Estate
- Mortgages
- Motor Vehicle Loans
- Sovereign Debt

Facilitated Emissions

- Underwriting
- Securitization
- Advisory

Insurance Associated Emissions

- Commercials Lines
- Personal Motor Lines
- (Requirements evolving for other classes)

Refer to Part A & Part C for detailed requirements

Scope 1,2 & 3 emissions - Approach

Below is the high-level approach to calculating Scope 3- Category 15 Finance & Insurance associated emissions

STEP 1 – DATA SOURCING

- Internal transactional data (e.g. investments, Insurance) to be provided as on the Reporting date
- External data (e.g. investee's emissions) plugged into Cortex AI from third-party data providers
- Reference data (e.g. emission factor rates like Co2Kg/KWJ) hosted on Cortex AI from agencies/authorities

STEP 2 – DATA ENRICHMENT

- Data transformations to Inbound, External, and Reference data sets to determine the key attributes required for calculations- such as Attribution factors, etc.

STEP 3 – ESG CALCULATIONS

- Executes calculations to generate outputs based on all possible estimation methods prescribed by the standard.
- Determines the other metrics required for reporting- such as Emission intensities, Data quality scores
- Retains granularity for Management Analysis

STEP 4 – RESULT SHARING

- Estimate and simulate the portfolio based on Data quality scores and emissions
- Generate summarized reports for Final Reporting
- Executive summary/Dashboards for strategy and decision-making

ESG Reference Architecture – Carbon Reporting Assist

Data Sources → **Enterprise Overview of Applications** → **Reporting & Analytics**

Source Systems
- HCM (FTE data)
- Investment Management Systems
- ERP – Vendor, CRM data
- GRC, Strategy Management Systems
- Incident Management Systems
- External- Surveys, Third party etc.

Transition, Physical Risk & Portfolio Management systems*
- Risk Modelling Scenario analysis / Ongoing portfolio

GHG Management System
- GHG Data and Decarb Management
- Quantification & Methodology Management
- Validation & Normalization
- Disclosure & Compliance

Core Components
- Mobility & User Experience
- Authentication, Authorization& SSO
- Cloud & License Management
- Auditability & Traceability
- Configuration & Administration
- APIs & Microservices

ESG Calculator
- Emissions calculations- Scope 1,2 & 3
- Metrics Calculator (Quantitative)

Accounting Hub
- Posting Rules Engine
- Accounting Rules Engine (Carbon Credit Accounting)

Finance-GL & EPM
- Accounting Subledger (AP, AR, FA, etc.)
- Statutory Ledger
  - General Ledger
  - Consolidation & Elimination
- Management Ledger
  - Expense Allocation
  - Planning, Budgeting and Forecasting

Reporting Platforms

BI/Reporting

Visualization

Analytics & Forecasting

- IFRS17 Statements & Disclosures
- Other basis – USGAAP or S2
- ESG Reports (Adopted framework(s))
- Local ESG Regulator reporting
- S1.S2. S3 Analytic reporting
- Benchmarking - KPIs

Solution Specific Landing (If any)

ESG data Marketplace
Stats Canada
Postal data
CAT data
Climate date
historical energy / fuel prices data, etc

Data Warehouse / Data Layer
- Inbound
- Transformation and Enrichment
- Outbound
- Error Reporting and reprocessing
- Functional Controls, IT Controls and Reconciliation Framework

Self-Service Analytics
- ESG Data Mart

*Transition and physical risk management should assess if it can be accomplished using existing vendor / solutions / systems

Carbon Reporting Assist

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Carbon Reporting Assist – Sample Dashboard

Data visualization is enabled using Tableau and the management dashboards are auto-generated based on the underlying data (Cortex AI)

Wrap Up

Why insurers are critical to the global net zero transition

Rebekah Cheney
Director
Deloitte Access Economics

Deloitte.

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