



Institute  
and Faculty  
of Actuaries

# Summary of consultation responses

Proposals for changes to the regulatory  
framework on climate change and  
sustainability

by the Regulatory Board

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# Foreword

## Neil Buckley, Chair of Regulatory Board



I am pleased to introduce this summary of the feedback received in the response to the Institute and Faculty of Actuaries (IFoA) consultation paper, proposals for changes to the regulatory framework on climate change and sustainability, issued by the Regulatory Board.

My sincere thanks to all who took time to provide responses to the consultation.

Our proposals aimed to signify the importance of these issues for Members and equip them to deal with their professional responsibilities related to climate change and sustainability.

In particular, we wanted to emphasise a need for all Members to consider climate change and sustainability related issues appropriately. This is aligned to our climate change statement<sup>1</sup> and previous Risk Alert<sup>2</sup>.

The consultation set out a range of options, rather than a specific proposal, and views were invited on the different possible approaches.

We carefully considered the results to this consultation and reflected upon them along with the objectives of the proposals.

The responses indicate a clear demand for more learning opportunities and education for actuaries, as well as practical guidance and advice on incorporating these issues while wider industry understanding and approaches continue to develop.

However, there are more divergent views in relation to possible changes to the regulatory framework, including amendments to the Actuaries' Code.

We have concluded that the most appropriate approach at this time is to emphasise and explain to members that the current requirements of the Actuaries' Code apply in relation to climate change and sustainability but not, at this stage, to introduce any additional mandatory regulatory requirements.

As a result, we have issued a new Risk Alert to emphasise the need for action by Members in this area and made firm regulatory commitments set out in Section 5 below.

A handwritten signature in black ink, appearing to read 'Neil Buckley', with a long, sweeping underline.

**Neil Buckley**

Chair of Regulatory Board

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<sup>1</sup> IFoA Climate change statement 2021

<sup>2</sup> 2017 Risk Alert - climate related risks

# 1. Overview

- 1.1 We consulted upon proposals for changes to our regulatory framework on climate change and sustainability issues. The consultation contained a range of options for changes to the IFoA's regulatory framework, including possible changes in relation to the Actuaries' Code ('the Code'). The consultation package can be found on our website<sup>3</sup>.
- 1.2 The aim of the consultation was to set out ways in which the IFoA could ensure that members were aware of, and equipped to deal with their professional responsibilities related to climate change and sustainability issues.
- 1.3 This document explains the outcome of that consultation process and sets out our response to the feedback received.
- 1.4 We are grateful for all of the responses to the consultation and carefully considered all of the feedback.
- 1.5 In addition to this consultation feedback, the IFoA benefitted from the findings of our Actuarial Monitoring Scheme (AMS) climate-related information gathering exercise in reaching its decision about the most appropriate approach.

## 2. Consultation process

- 2.1 The consultation was published on 2 September 2021 and closed on 2 December 2021.
- 2.2 Members and other interested parties were invited to comment on the proposals via an online survey monkey questionnaire (which was also available to download and submit directly via email).
- 2.3 We actively contacted and engaged with a wide range of key stakeholders to encourage participation including IFoA Members, co-regulators, professional bodies, Green Finance Education Charter signatories and employers of actuaries.

## 3. Consultation results

- 3.1 The consultation had 65 responses, including 47 individual respondents and responses from 10 organisations. There were 7 responses representing both individuals and organisations. The Regulatory

Board also received a letter from the IFoA Sustainability Board, following the closure of the consultation. This outlined their perspective on the consultation as well as the findings of the AMS climate-related exercise.

- 3.2 A private response was received from the Financial Reporting Council (FRC) in its capacity as our UK oversight body.
- 3.3 Of the respondents:

- 89% were based in the UK, with other respondents from Australia, Hong Kong, USA and South East Asia.
- 97% were members of the IFoA, with 91% holding Fellow memberships.
- The majority of respondents, at 47%, worked in the pensions practice area, with 19% working in Life Assurance.
- 42% of respondents worked for an actuarial consultancy organisation and 23% worked for an insurance company or reinsurer.

### Summary

- 3.4 The majority (60%) of respondents to the consultation supported incorporating climate change and sustainability issues into the regulatory framework in some manner. However, the responses to the consultation questions and specific proposals raised were divergent as to the appropriate way to take that forward. The comments further suggested significant differences of opinions between the strong supporters of the proposals and respondents who were strongly in disagreement.
- 3.5 The majority of respondents were not supportive of the specific proposals to include additional wording in the Code under Principles 2 and 6 (For Proposal A: 67% either disagreed or strongly disagreed with Question 2 and 72% either disagreed or strongly disagreed with Question 3).
- 3.6 The majority of respondents also did not support Proposal B and specific proposals for the Code to include wording on 'new and emerging areas' (For Proposal B: 75% either disagreed or strongly disagreed with Question 4 and 78% disagreed or strongly disagreed with Question 5).
- 3.7 However, the feedback did indicate majority support for further guidance (75% either agreeing

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<sup>3</sup> Consultation document

or strongly agreeing), educational initiatives and that training would be useful such as in professional skills, case-studies and educational CPD content.

- 3.8 The feedback also provided useful suggestions on further education, guidance and training.
- 3.9 The FRC were supportive of the introduction of non-mandatory guidance on how climate change and sustainability issues interacts with the existing requirements of the Actuaries' Code. They provided feedback around retaining the principles based nature of the Code and the technical nature of the proposed Code changes (with Technical Actuarial Standard setting for work carried out within the UK geographic scope in the FRC's remit).
- 3.10 The names of those who responded to the consultation are included in Appendix 1. Those respondents that have asked for their details to remain confidential are not included in the list.
- 3.11 The detailed responses to the consultation are set out in Appendix 2. The comments from those who asked for their feedback to remain confidential have been redacted.

## 4. Conclusions

- 4.1 The feedback suggests there is support for further work to assist actuaries in understanding the expectations placed upon them in relation to their professional responsibilities and climate-related risks, as well as for more opportunities for learning and development in these areas. However, there is not a great deal of support for introducing specific mandatory requirements, including amending the Code to reflect climate change and sustainability issues.
- 4.2 Additionally, the findings of the AMS information gathering exercise provides insight into actuarial practice that has helped to inform the appropriate way forward.
- 4.3 There is evidence that that wider industry thinking and practice is still developing, and we recognise a clear need to guide the profession on this issue.
- 4.4 We acknowledge that there is an evolving understanding of climate related issues and seek to help develop good practice and behaviours within the membership, in a proportionate manner, to emphasise a necessity for all Members to consider these issues appropriately.
- 4.5 In particular, the current regulatory expectations within the Code, under Principles 2 and 6

(specifically referenced within the consultation) will ensure that our Members continue to have an appropriate level of relevant knowledge and skills to carry out work in this area, when relevant, and communicate on these issues appropriately. We will not therefore introduce any additional mandatory regulatory requirements at this stage.

- 4.6 As a result of the consultation feedback and wider work described above, we are committed to:

1. Reinforce the importance of climate change and sustainability issues, including:
  - issuing an up-to-date Risk Alert; and
  - developing guidance for Members to support the Actuaries' Code requirements.
2. Continue the work already underway to incorporate climate change and sustainability content across the IFoA's career-long-learning provision.
3. Engage with the Financial Reporting Council (FRC), in its capacity as the body that sets UK Technical Actuarial Standards (TASs) to reflect that we believe there is a role to further technical guidance for actuaries in this area and to explore opportunities for collaboration on joint ethical and technical guidance for IFoA Members.
4. Develop further professionalism and case-study materials on climate change and sustainability issues on an annual basis.
5. Revisiting further potential mandatory regulation in after 12-18 months, taking into account wider IFoA climate-related work and increased knowledge across IFoA Members.

# Appendix 1 - List of respondents to the consultation

Below are the names of individuals and organisations who responded to the consultation who agreed for their names to be disclosed as part of the consultation process.

## Individuals

Alan Marshall  
Alan Smith  
Alastair Clarkson  
Andrew Chamberlain  
Catherine Lockyer  
Colin Ledlie  
Daniel McGree  
Darren Vinales  
Dermot Grenham  
Eleanor Vail  
Grant Mitchell  
Harvey Duckers  
Hilary Salt  
James Joiner James  
Tuff  
Jessica Wilson Julian  
Ellacott  
Katie Mcloughlin  
Lisa McCrory  
Malcolm Slee  
Mary Hall  
Neil Mitchell  
Nick Foster  
Nick Spencer Patrick  
Bloomfield Paul Jolly  
Peter Crowley  
Robert Evans Roelof  
Coertze

## Organisations

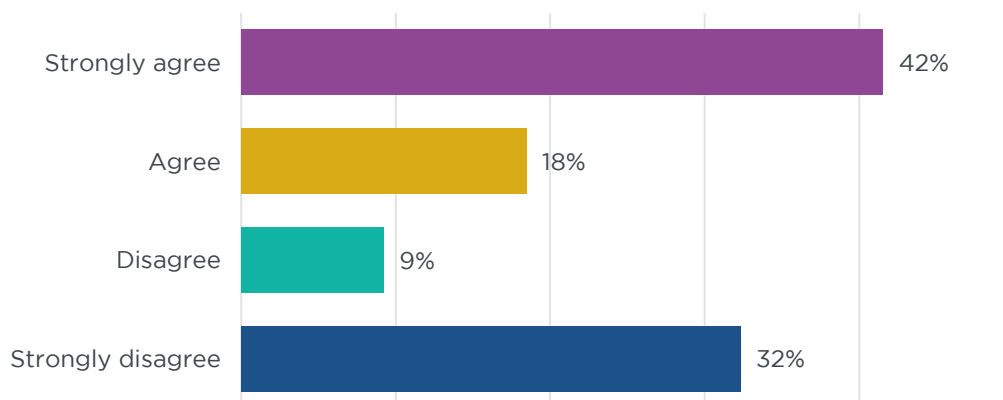
Aon  
Association of Consulting Actuaries  
Broadstone Consultants & Actuaries Limited  
Collie ESG Ltd  
Dalriada Trustees  
Ernst & Young  
First Actuarial LLP  
Government Actuary's Department  
Hymans Robertson LLP  
Isio Group Limited  
Mercer Ltd  
Pension Protection Fund  
Society of Pension Professionals  
Towers Watson Limited  
Windsor Actuarial Consultants Ltd  
XPS Pensions Group

## Appendix 2 - Responses by percentage

The following charts show the percentage of respondents who chose the indicated option when responding to the questionnaire. Questions which, rather than providing options from which to choose, required only free text, have not been included (i.e. questions 8 – 13 and question 20).

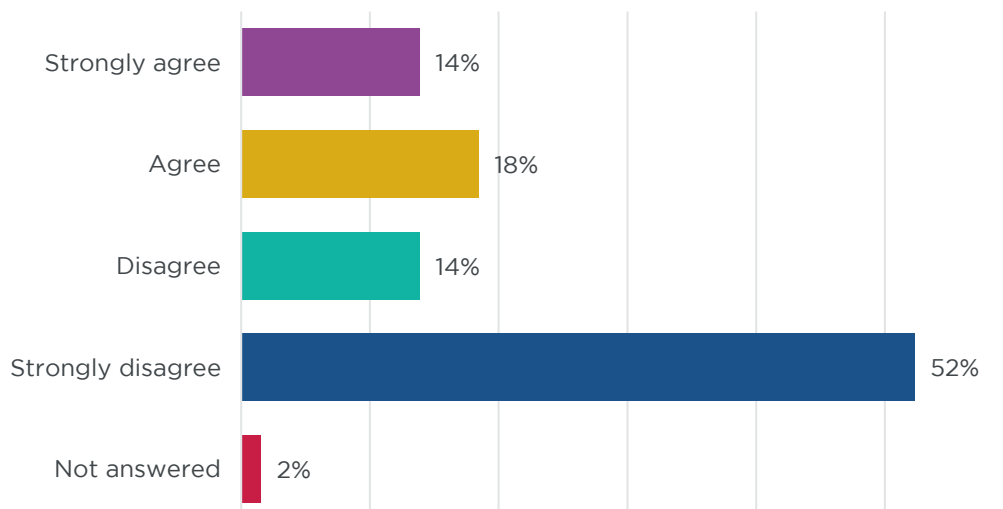
### Question 1

To what extent do you agree that the IFoA should explicitly reference climate change and sustainability in its regulatory and professional requirements<sup>4</sup>?



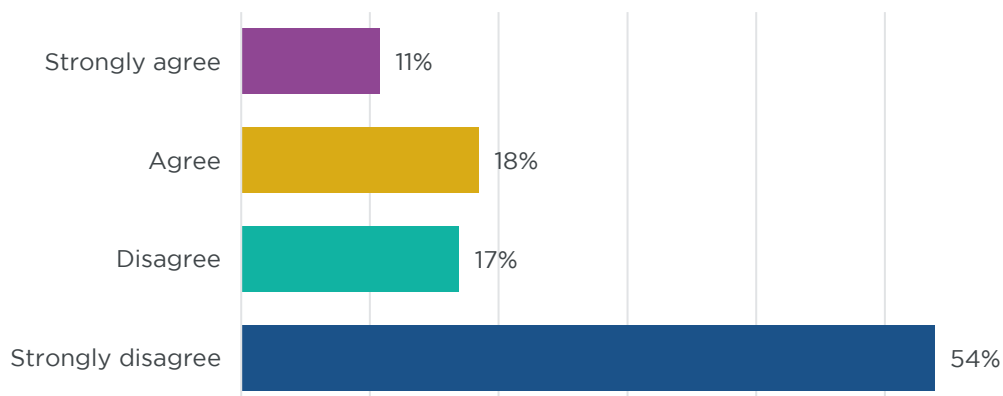
### Question 2

To what extent do you agree with option A that amplification 2.1 (competence and care principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?



### Question 3

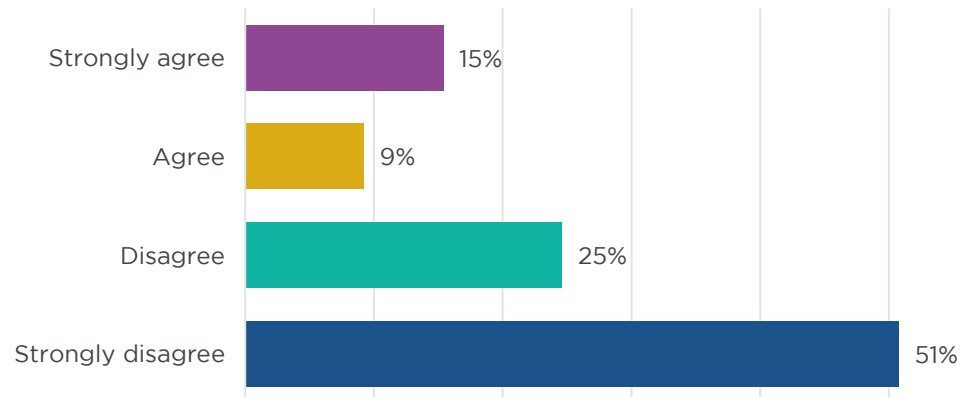
To what extent do you agree with option A that amplification 6.3 (communication principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?



<sup>4</sup> Total exceeds 100% as one respondent selected two options.

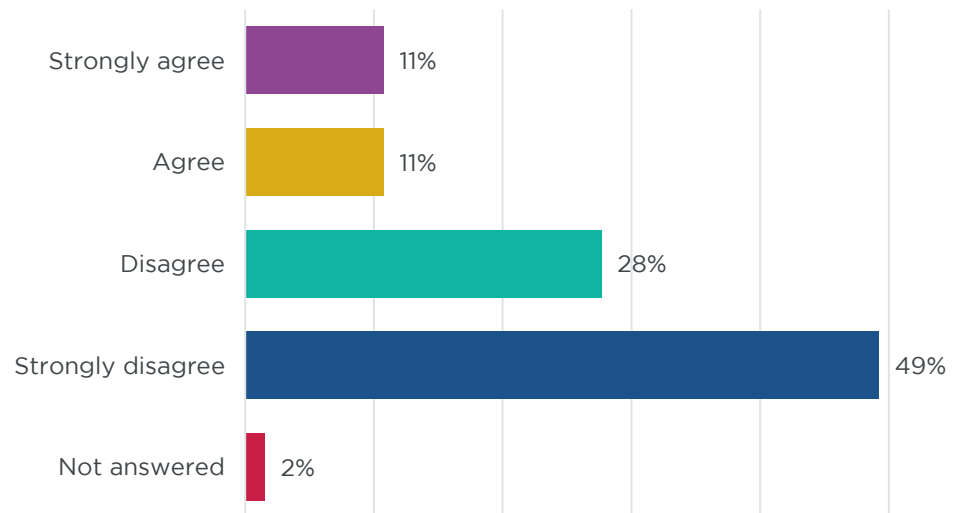
#### Question 4

To what extent do you agree with option B that amplification 2.1 (competence and care principle) of the Actuaries' Code should also be amended to include 'new and emerging risks', as outlined in the consultation document?



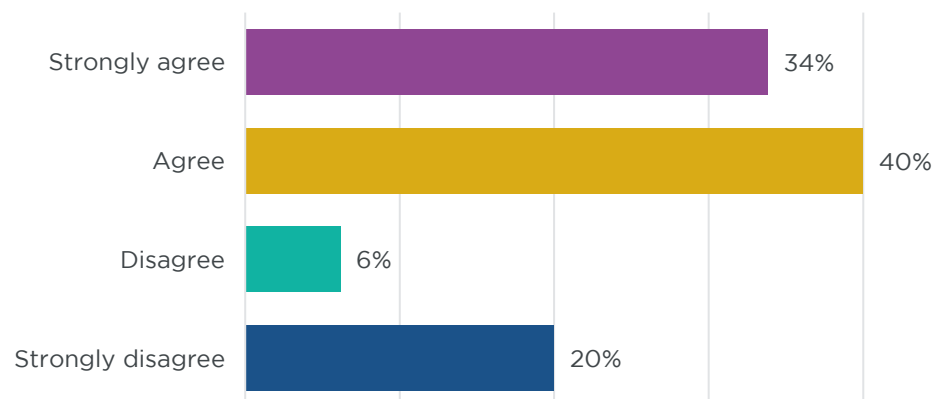
#### Question 5

To what extent do you agree with option B that amplification 6.3 (communication principle) of the Actuaries' Code should be amended to include 'new and emerging', as outlined in the consultation document?



#### Question 6

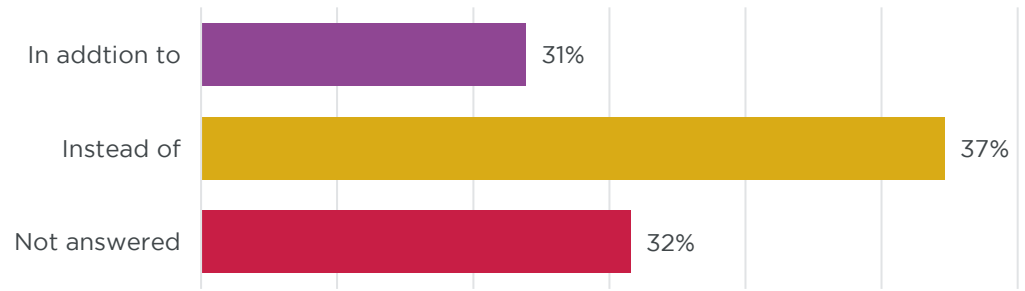
To what extent do you agree with Option C and the IFoA issuing specific non-mandatory guidance on climate change and sustainability issues that highlights the resources available and illustrates ways to fulfil the requirements of the Code?





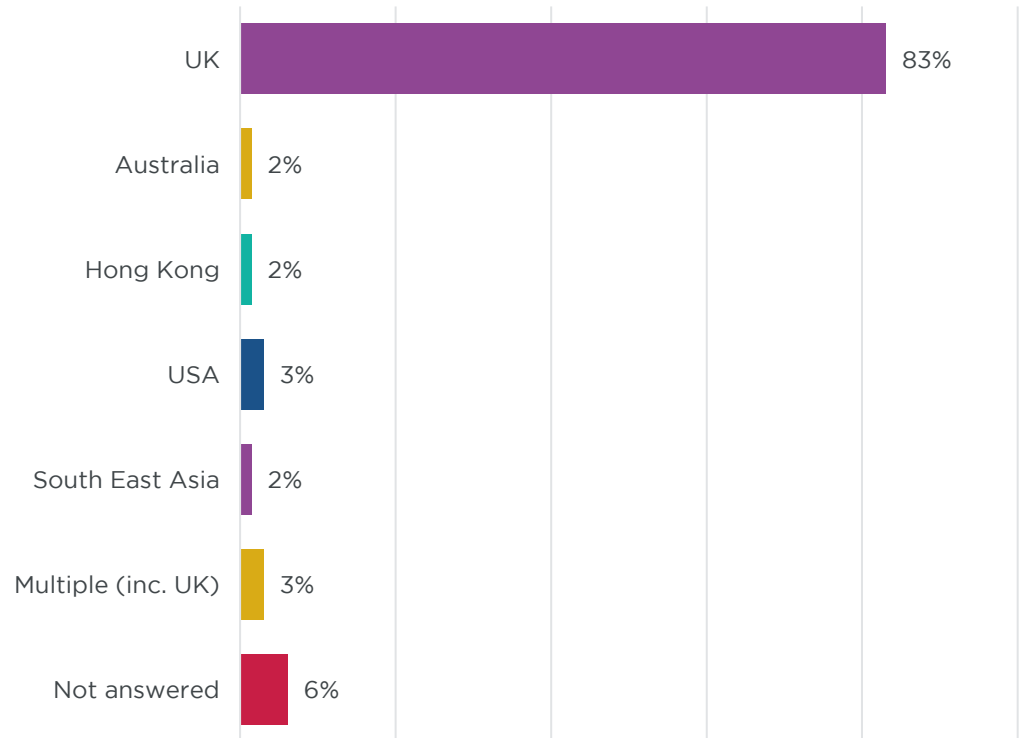
### Question 7

If you Strongly Agree or Agree with question 6, do you think that such guidance should be either:



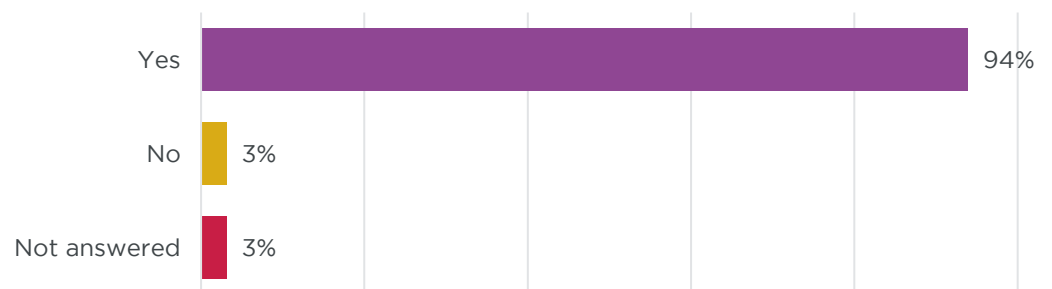
### Question 14

Region<sup>5</sup>



### Question 15

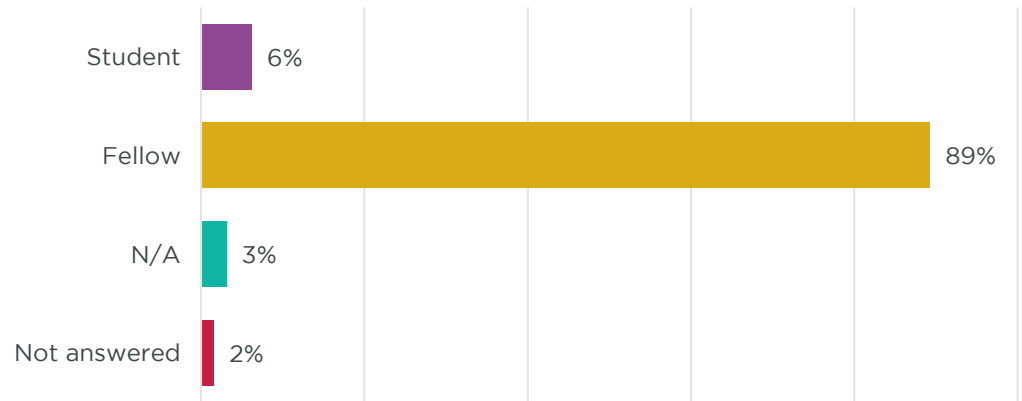
Are you a member of the IFoA?



<sup>5</sup> Canada, China, India, Ireland, South Africa, Africa (other), Asia (other), Central or South America, Europe (non-UK), and Oceania were also offered as options but were not selected by any respondents. Except for Europe (non-UK), Ireland, South Africa, and Oceania which were selected in cases where there were multiple location (including the UK).

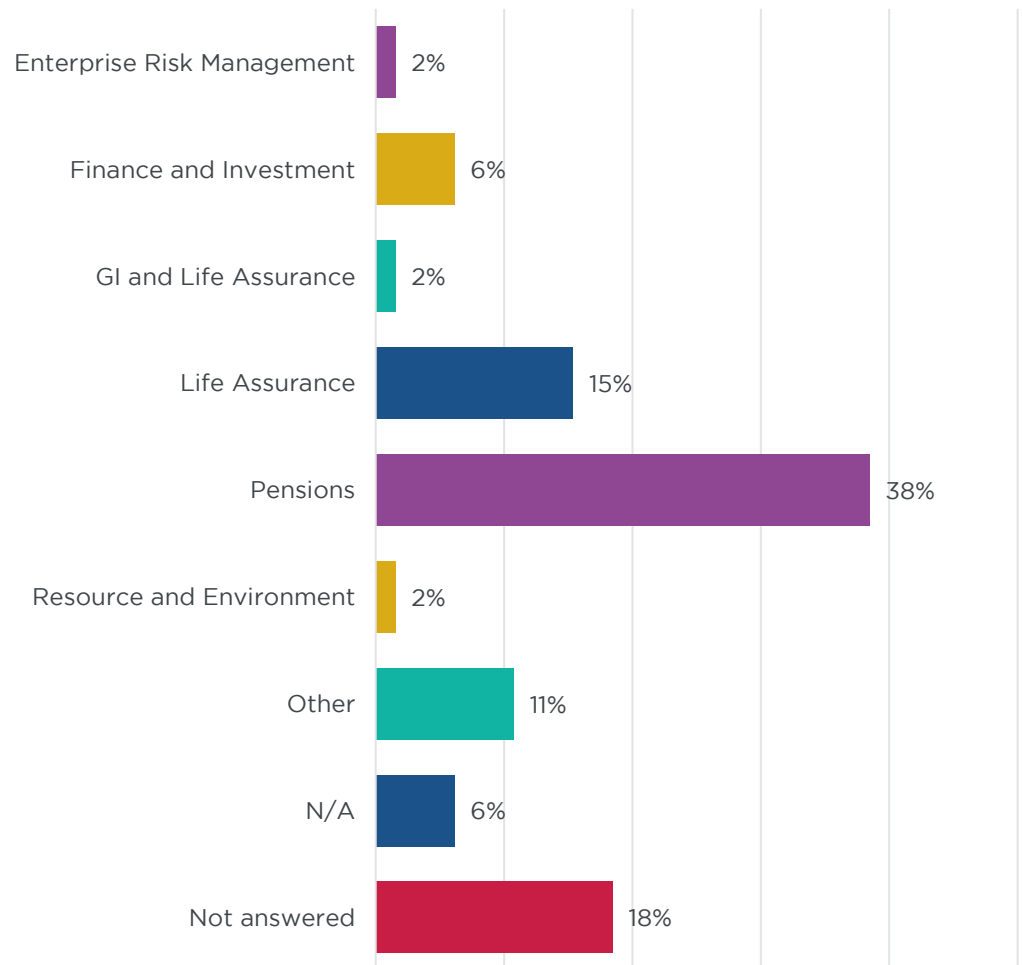
### Question 16

If yes, which category of Membership do you hold?



### Question 17

If you are an actuary, what is your main practice area? (Answer one option only)<sup>6</sup>



### Question 18

Do you want your name to remain confidential?



<sup>6</sup> General Insurance (GI) and Health and Care were given as options, but not selected by any respondents.

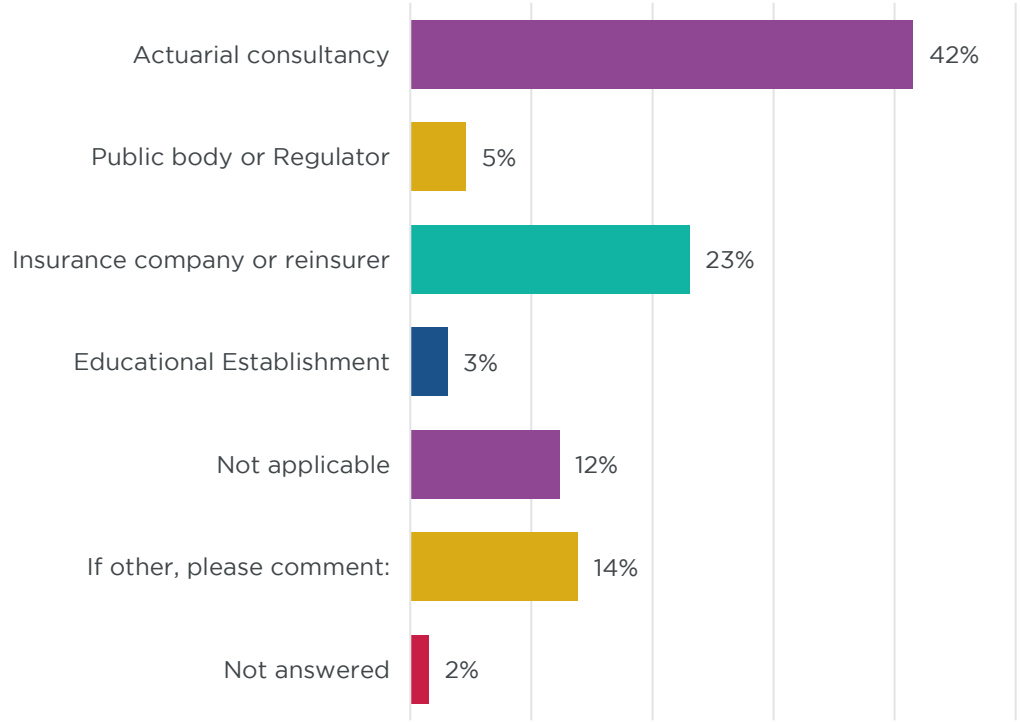
### Question 19

Do you want your comments to remain confidential?



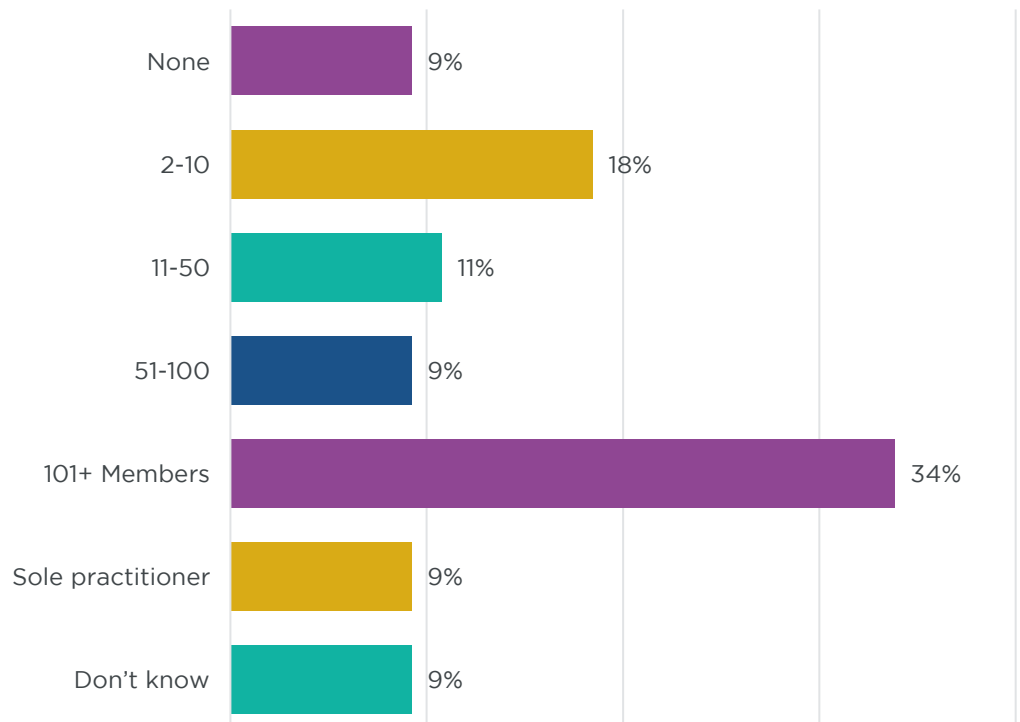
### Question 21

Type of organisation (Answer one option only)<sup>7</sup>



### Question 22

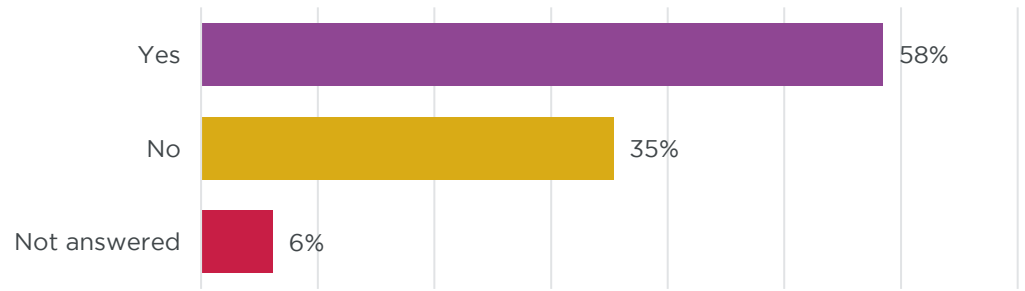
How many IFoA Members (if any) does your organisation employ?



<sup>7</sup> Bank or Building Society and Investment Firm were also given as options, but not selected by any of the respondents.

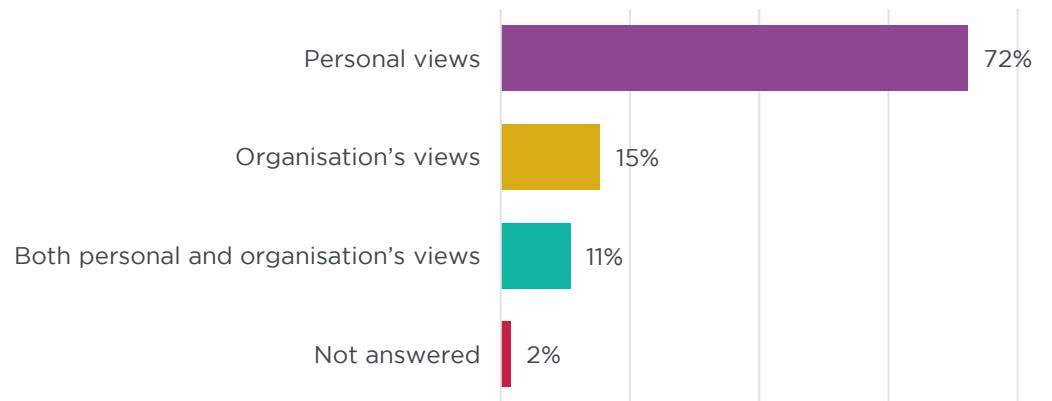
### Question 23

Do you want the name of your organisation to remain confidential?



### Question 24

Do these comments represent your own personal views or your organisation's views?



## Appendix 3 - Respondents comments

Where the individual or organisation responding to the consultation agreed for their response to be published, their full response has been included below. Where it was asked that the name of an individual or organisation was kept confidential the relevant field is marked "Anonymous". If an individual or organisation wanted their responses to remain confidential, no entry appears.

In this section only questions which requested a free text response expressing the respondents views are included. Therefore there are no entries for question 6, or questions 13 to 24.

### Question 1

To what extent do you agree that the IFoA should explicitly reference climate change and sustainability in its regulatory and professional requirements?

#### Strongly agree (1 of 2)

We are in full agreement with the IFoA that climate change and sustainability risks are growing systemic risks, and are the defining challenges faced by humanity over the coming decades. We equally agree that it is vitally important that actuaries take full and appropriate account of these risks in their work and that as a profession we are responding appropriately to climate issues. Therefore, we support explicitly referencing climate change and sustainability in regulatory and professional requirements

We agree with the comments within the consultation document that climate change and sustainability will be among the biggest themes for governments and business over the next few decades. Indeed, the recent focus on global climate change as part of COP26 and the focus on climate change within actuarial fields such as pensions through Task Force on Climate-related Financial Disclosures (TCFD) highlights that this is already a major issue for society, governments and businesses. Whilst we strongly agree that professional requirements and regulations should explicitly reference climate change, we believe that the way this is implemented is critical in terms of: § The behaviours it encourages from members § The benefit to users of our advice § The perception of the profession in its wider public interest role; and § The risks that changes create for members. In particular, additions and changes to the regulatory and professional requirements should reflect agreed best practices amongst practitioners within the industry and actively support members in helping them meet their duties and obligations.

This is clearly an important topic with a key role for actuaries in contributing to the analysis of the risks involved and potential specialism in this area. We also accept the public interest need to demonstrate appropriate recognition of this topic within our profession and our advice. We agree there is a need to support actuaries in enhancing their awareness of this topic and strengthening the quality of their advice where relevant.

These are material considerations, which it would be negligent to ignore.

The risks are sufficiently material and pressing to warrant specific focus, particularly given the lukewarm traction since less onerous requirements were introduced in 2017. I consider Option D (a mandatory APS) to be the appropriate way forwards.

The IFoA should take a leading role in shaping ESG reforms. Hence explicit reference to climate change should be a core part of the actuarial mandate

The Green Finance Education Charter commits the profession to this in some form.

Public interest, public confidence, setting transparent measurable expectations for competencies. These are also needed before 2023 given ever increasing regulatory and reporting expectations as well as examples of risk scenarios crystallising.

Addressing climate change is one of the most important tasks faced by individuals, governments, businesses and organisations; this certainly includes pension schemes, sponsors and their advisers. As actuaries we should understand and acknowledge the related risks and be advising our clients accordingly.

## Question 1

To what extent do you agree that the IFoA should explicitly reference climate change and sustainability in its regulatory and professional requirements?

### Strongly agree (2 of 2)

Isio believes that climate change and sustainability is a critical challenge for the world and that this should be reflected in the behaviours of the actuarial profession and the financial services sector. This is not only due to the high level of public interest in the issue but also the impact the actuarial profession can have in helping address the challenge. By referencing climate change and sustainability, the IFoA is showing its support for the role that actuaries can have in this area. Referencing these risks in the IFoA's regulatory and professional requirements is a first step to supporting members in tackling these issues within actuarial work.

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Critical global issue of our time

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Climate Change is widely considered the largest risk to humanity. The following is taken from the World Economic Forum's 2021 Risk Report and is a snapshot of their global risk perception survey: Source: World Economic Forum Global Risk Report 2021 WEF\_The\_Global\_Risks\_Report\_2021.pdf (weforum.org) – Page 12 The green diamonds denote environmental risks and it's clear that environmental issues are deemed the top global risks by likelihood and impact. Governments, individuals, businesses, and the financial sector are about to undergo dramatic changes. In the UK, we are aiming to reduce emissions by 78% by 2035 and move to net zero by 2050. Other countries are aiming to follow similar trajectories. There are many sceptics about our ability to achieve these emission reductions and, perhaps, rightly so given the record of missing country level targets. However, the direction of travel is clear, we are soon to begin experiencing dramatic changes to the world we live in. Considering the pensions industry directly: we anticipate implications for investment returns, sponsor covenant, service providers and, potentially, life expectancy. We expect our advisers to be providing advice that, at a minimum, has considered the inherent risks of climate change and sustainability. We appreciate climate change and sustainability are somewhat of an emerging consideration, with the profession still grappling with an understanding of the risks and implications for the areas members work. Moreover, we are considering complex, interconnected risks with great uncertainty regarding ranges of outcomes. In any event, climate change and sustainability as a professional requirement cannot be ignored. Again, the direction of travel is clear. As a final, but critical, part of our "strongly agree" response. We note that being "forward and outward looking" is one of the IFoA's key values. Elevating the importance of considering climate change and sustainability in members work appears to fall comfortably under this value.

## Question 1

To what extent do you agree that the IFoA should explicitly reference climate change and sustainability in its regulatory and professional requirements?

### Agree (1 of 2)

We agree, to the extent that we think it important that the IFoA explores with its membership what references to climate change and sustainability should be incorporated within its regulatory materials, perhaps leading to the development of a cross-practice Actuarial Professional Standard (Option D which is mentioned, but only as a concept).

We acknowledge and support the work that has been completed to date, starting with the creation of the Sustainability Board (formerly the Resource and Environment Board) in 2014, the November 2017 Risk Alert, moving on to the development of educational material, and most recently the information-gathering report on the involvement of actuaries in climate-related risk.

However, we have considerable concerns with the specific proposals now being put forward as our responses which follow make clear. We strongly disagree with your proposed changes to the Code (both Options A and B).

We support, as a first step, adding wording to the Accompanying Guidance to the Actuaries Code (Option C), but we do not support the wording you are putting forward.

For the avoidance of doubt, we agree that climate change and sustainability present significant financial and societal risks, and that they should be reflected appropriately in actuarial advice.

We acknowledge the time it may take to develop a cross-practice APS that sets out some principles in relation to the conduct of members against the backdrop of climate change and sustainability, but it seems to us that this is a more preferable course of action than adjusting the Code. It could be pursued alongside other initiatives, especially in the educational sphere, with particular emphasis on those already qualified, through the CPD scheme. For example, the IFoA could ask that reflective practice discussions encompass the extent to which climate change and sustainability issues have featured in a member's learning and influenced advice given. We also look forward to what Technical Standards may be proposed by the FRC or its successor in this area.

Our answer to Q1 depends on where and how reference is made. Whilst climate change and sustainability need to be addressed in actuarial work, it is important that any references in regulatory requirements are proportionate.

We disagree that explicit reference should be made in the Actuaries' Code. We agree that it may be appropriate to reference this issue elsewhere within the IFoA or FRC's regulatory materials.

- We fully agree that the potential impacts of climate change and the policy responses required to limit it present a material financial risk and therefore it is important that actuaries take account of this in their work and clearly communicate the extent to which they have done so.
- The increasing scope of legislation and requirements from other regulatory bodies requiring financial institutions to manage climate-related and sustainability risks and report on how they have done this, means that in many cases it will in any event become necessary for actuaries to take account of climate change and sustainability in their work and their advice (in order to meet the compliance requirement of the Actuaries' Code).
- In addition, the consultation indicates that the FRC is also reviewing the Technical Actuarial Standards, and these could be updated to reflect climate change. Since there are some differences in the considerations across different practice areas, updating the specific TASs would be able to reflect this.

Given that this is a fast developing area, there is much that the IFoA can do to continue to support members in developing their knowledge, including the work already undertaken by the Sustainability Board and material such as the practical guides. Further opportunities for CPD or formal qualifications in this area may be even more effective in ensuring that members are aware of and able to take account of climate change and sustainability and members should be strongly encouraged to participate in these.

As a broad comment, but qualified by some concerns as to where they appear, see below

## Question 1

To what extent do you agree that the IFoA should explicitly reference climate change and sustainability in its regulatory and professional requirements?

### Agree (2 of 2)

This is a very important issue that impacts much actuarial work and actuaries should be explicitly reminded to consider any implications of climate change on their work.

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The issue cannot be ignored

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It emphasises the importance of this particular area for the future of the planet. Without this it may be too easy for actuaries to think it is not relevant for their work



### Question 1

To what extent do you agree that the IFoA should explicitly reference climate change and sustainability in its regulatory and professional requirements?

#### Disagree

<sup>8</sup>Our answer to Q1 depends on where and how reference is made. Whilst climate change and sustainability need to be addressed in actuarial work, it is important that any references in regulatory requirements are proportionate.

We disagree that explicit reference should be made in the Actuaries' Code. We agree that it may be appropriate to reference this issue elsewhere within the IFoA or FRC's regulatory materials.

We agree that actuaries need to address climate change and sustainability risks in their advice and that they develop and obtain the expertise and knowledge to do so. However, the nature of the Actuaries Code and our standards being principles based, it seems anomalous that we focus on one key area of risk and one area only to specify. Whilst the motivation may be to bring an elevated focus onto these areas of risk, the outcome may be to imply that all other, unlisted risks, are of (far) lesser importance. The Institute and Faculty of Actuaries do not feel it's necessary to list other material areas of risks that actuaries need to consider (such as investment or longevity) in its regulatory and professional requirements. Further, the inclusion of a specific area of risk in the IFoA's requirements seems to be introducing an element of technical rather than ethical standard setting which does not appear to be in line with the approach taken with the FRC to date. Enshrining a specific item in a principles-based code strikes us as simply a quick and easy way to demonstrate that the IFoA takes climate risk seriously, without actually really doing anything to improve shortcomings in this area. Building competency and interest in this area would be better served through research, collaboration with other entities and monitoring activity of firms

There are many other areas that would warrant this ahead of climate change

### Question 1

To what extent do you agree that the IFoA should explicitly reference climate change and sustainability in its regulatory and professional requirements?

#### Strongly disagree

I'm not even sure what the authors or the IFoA considers to be 'its regulatory and professional requirements'. If this only encompasses the Actuaries' Code and APSs, then I see no need to add anything. It's a shame that the consultation couldn't be clearer.

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<sup>8</sup> Comment included under both "Agree" and "Disagree" as respondent selected both options

## Question 2

To what extent do you agree with option A that amplification 2.1 (competence and care principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

### Strongly agree

Isio agrees with the amendment to amplification 2.1. We acknowledge that there may be instances when actuaries' ability to impact is limited in some way. For example, the Trustees/Employers of some pension schemes may not prioritise addressing these risks (either due to their own opinions on the issue or a reluctance to incur additional costs or a belief that their fiduciary duties prevent them from considering climate risk in making investment decisions). There may also be Trustees/Employers who have cross-border ties creating consequent additional obstacles when seeking buy-in to incorporating climate considerations in their operations. E.g. agreement from an overseas parent employer. However, we believe climate change and sustainability is of critical importance and actuaries should engage in the matter in order to build the skills and knowledge to appropriately advise in their particular contexts. Where clients are resistant we believe it is important that actuaries bring these issues to their clients in any case.

## Question 2

To what extent do you agree with option A that amplification 2.1 (competence and care principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

### Agree

We welcome the proposed change to the Actuaries Code to reference climate change and sustainability, however, we suggest that the slightly broader proposed update described in Option B be adopted.

We appreciate that it's not a natural fit to the code, as no other individual risks are highlighted in this section. However, we think this issue is so significant (as noted above) that it can justify inclusion in the code. What held us back from "strongly agree" is the proposed wording. We feel that the additions to both the competence and care principle and the communication principle would be better served via the addition of a standalone bullet, rather than the proposed addition to an existing requirement

The principle of Competence & Care is clearly relevant here and amending amplification 2.1 as proposed seems like the most appropriate approach. However, we would suggest adding some further wording to clarify that the key issue here is not so much a member's knowledge of climate change and sustainability issues in isolation (which is more the remit of other professions), but rather how that knowledge is best applied in the context of actuarial work. This could be achieved by adding wording as follows. 2. Competence and Care 2.1 Members must ensure they have an appropriate level of relevant knowledge and skill to carry out a piece of work. This includes relevant knowledge and skill on how climate change and sustainability may interact with other considerations relevant to the work.

It is somewhat illogical to highlight specific risks in a generic code of this nature however on balance there is currently a benefit to stressing these specific risks to encourage change and focus on these risks.

## Question 2

To what extent do you agree with option A that amplification 2.1 (competence and care principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

### Disagree

Would not want to lose the general principles-based nature of the actuaries code itself

In principle I agree with amending 2.1 but the wording as proposed is too loose. The sentence requiring relevant knowledge and skill on climate change should be clearly limited to the piece of work in question (noting that some work will not be impacted and therefore not require any knowledge). Also there should be recognition that actuaries aren't necessarily experts and it may be appropriate to rely on the knowledge and experience of others if this is done in a controlled way.

I prefer option B as I think it is better to be more generic

Climate risk is one of many risks and is best kept to technical and regulatory standards to keep the code simple and principle based on ethical matters. The code should not need changing in response to new risks

- The Code is high level and principles based, and does not currently single out any other risks which actuaries will need to take into account in their advice, even though JFAR for instance identifies a number of key risk areas each year in its annual report. The suggested approach also seems at odds with the core goal of the Climate-related risk taskforce that "climate risk is understood and considered by our members in the same way as other risks such as interest rates and mortality"
- The general principle that, for instance, 'members must ensure they have the relevant knowledge and skill to carry out a piece of work' should already cover the need to have knowledge and skill relating to climate change and sustainability where this is relevant and may be material to the user. Since the IFoA is clear that its view is that "the relevant knowledge" would include knowledge of the potential effects of climate change, there doesn't seem to be any need to change the Code.
- It doesn't necessarily appear to be the case that it would give comfort to broader stakeholders to identify this risk and not others. In fact, it could have the effect of obscuring equally important information by giving the impression that other risks are less significant.

It would also seem to set a precedent that could require other risks to be identified in the Code in a similar way. Even if it is felt that, currently, the systemic nature of climate change merits a different approach, a different risk may be perceived by the public to be as significant and if it is not identified then this could risk a lack of public confidence in future unless further changes are made to the Code.

## Question 2

To what extent do you agree with option A that amplification 2.1 (competence and care principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

### Strongly disagree (1 of 4)

While we agree the importance of the issue, we believe the Actuaries Code should be Principles based and so should not be drawing out particular risks.

We strongly disagree with the introduction of this terminology into the Actuaries' Code, primarily on the grounds that it contradicts the Code's principles-based approach. The review leading to v3.0 of the Actuaries' Code made the Code more concise. It is also currently intentionally free from practice-specific details. Options A and B both propose a partial unwinding of these changes in respect of climate change and sustainability. We view this as a backward step. We find the existing rationale for a concise Code more persuasive than the rationale set out in this consultation for expanding certain provisions to include such granularity. The COVID-19 pandemic has provided a clear illustration of the broader systemic risks operating in our environment. In our view climate and sustainability risks are major systemic risks. Since actuaries' work must reflect the context within which our advice is provided, this should absolutely include climate and sustainability as a major category of such systemic risks. However, we think it is clear that the interconnected nature of emerging systemic risk requires actuaries to take a holistic view of these systemic risks. The focus of the IFoA should be to educate and engage with its membership to help them deal with these fundamental challenges. The consultation acknowledges (paragraph 3.5) that "The proposed wording would not make a material difference to the regulatory expectations already set for members". Behavioural change may be necessary to ensure actuaries take account of climate change and sustainability considerations, but we do not believe this will be brought about by these amendments to the Actuaries' Code. The regulatory expectation already exists. Both proposals under Option A are grammatically awkward. 'Climate change and sustainability' is a broad term. Without an explicit definition, it is unlikely that IFoA members will hold a common understanding of this term. As such it is not clear that this amendment will lead to effective regulatory outcomes, as users will hold varying views as to what is expected. We do, however, support the inclusion of the word 'relevant'. Not all tasks will require reference to climate change and not all actuaries need to be experts on the topic. It is important that the regulatory framework recognises this. The IFoA may wish to consider the importance of amplification 2.4 in this regard - recognising the need to seek input from other professionals.

We don't think you have made a sufficiently strong case for the Code to make specific reference to climate change and sustainability. You also acknowledge that this Option A does not change the scope of the Code.

We think that the key strength of the Code is that it is set at a high level with principles and amplifications that are generic in nature. Having read and digested the Code, the material within it becomes embedded in the way that members think and work and, in that sense, there is no further need to refer to it.

Given this we don't think it right that the Code should have an amplification that mentions a specific topic, no matter how important that topic is from a public interest point of view. We think that there are other ways in which the IFoA can deliver an appropriate and visible response to the public interest concern, which is what we understand you desire - for example, a further Risk Alert might be appropriate.

In addition, if the IFoA chooses to highlight one topic now, it will be very difficult for it not to have to highlight other topics that in future are thought to warrant amplification as a result of public interest concern. For example, the Speaking up section might lend itself to amplifications relating to matters in current political discourse to do with discrimination. Starting to go down this road now in relation to climate change and sustainability could over time devalue the Code which has been put together so carefully and which only recently has been refreshed.

Turning to the proposed wording we are not convinced that it sufficiently conveys the point that actuaries must have sufficient knowledge and skill to recognise when climate change and sustainability is relevant and to include it appropriately in their work.

## Question 2

To what extent do you agree with option A that amplification 2.1 (competence and care principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

### Strongly disagree (2 of 4)

We do not believe that the Actuaries' Code is the correct place to highlight these risks. The Code is a set of high-level principles. We think it inappropriate to use it to highlight one or two specific risks, no matter how systemic they may be. Doing so would open up the question as to whether other current and future systemic risks (for example, biodiversity) should also be highlighted in this way. Furthermore, important as they are for humanity as a whole, climate change and sustainability are unlikely to be the most important risks in any particular piece of actuarial work. For example, a mature pension scheme may be anticipating winding up over the course of the next five years. In this case, other risks such as interest rates, inflation and mortality are likely to be significantly more important in any work for that scheme. Specifically highlighting climate risks in the Actuaries' Code would introduce confusion by suggesting this should be given prominence over other risks, even where this would be clearly unnecessary, and would detract from the existing strength and simplicity of the Actuaries' Code. Finally, even if we accept that systemic risks should be specifically referenced in the Actuaries Code (which we don't), it is hard to see why climate change and sustainability have been highlighted as opposed to other systemic risks, such as recent examples of political and pandemic risks which have enduring impacts and trigger multiple other risks.

We do not believe it is appropriate to single out a specific area in this way. It is inconsistent with the approach taken within the rest of the code and sets a precedent for an evolving or growing list (whilst potentially undermining the significance of other issues). You note that the current wording of the existing principles already include these expectations, where they are relevant. We consider that rather than improving transparency, including this additional proposed wording would create additional expectations amongst non-members that are inconsistent with your stated position.

This would require an actuary to become expert on these matters, rather than to be expert in the implications for actuarial purposes

This would require actuaries to have competence in the science of climate change which we do not have at present (or ever?)

This is just a superficial change

The proposed words look like an add-on, serving no useful purpose. At worst, they suggest that climate change is more important than all other areas in which we need to have competence or technical skills. Why not say "This includes relevant knowledge on pricing, reserving, mortality, financial mathematics, investment strategy, data science, and and and"?

The narrow focus on these 2 issues may lead to other key issues not being appropriately handled e.g. obesity

The consultation did not make it clear why this should be added, is it an especially important area for competence / care?

The actuaries code is principles based. Making explicit reference to a single risk goes against this.

The Actuaries Code is meant to be "principles-based" putting in reference to whatever issue-du-jour is in the news is inappropriate and unnecessary.

The actuaries' code is (purposefully) a high level code of ethics. Even if setting explicit guidance on climate change risks is a good idea, the code is not the place for it to be. If the competence is "relevant" then the change is not necessary. Members must, under the existing code, already ensure they have competence in what they are doing. What change is expected from including it? The suggestion that a specific item like this would go in an ethical code where so many other specific issues of greater importance to work aren't mentioned feels a dangerous direction. The public interest is best served by actuaries doing what they do best: being committed to evidence, recognising and understanding uncertainty, pulling out the key issues and communicating well.

## Question 2

To what extent do you agree with option A that amplification 2.1 (competence and care principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

### Strongly disagree (3 of 4)

See above. Furthermore this would not stop someone including advice which is based on scientific work that could show that climate change is not happening to the extent or at the rate that some believe.

Our primary concern is that the proposed addition is the first step into introducing specific rules into a principles-based code. The Code works very well as a principles led one – there is no need to add specifics into it. Further 2.1 does not need any embellishment. Actuaries know that they need to cover climate related and sustainability risks in their work and the Code is already very clear that they need to have the appropriate level of knowledge and skill to do so. The additional wording does not add anything to the code other than additional words and signal to the world 'we take this seriously'.

No other area or risk is so explicitly called out within the Actuaries Code. This has the appearance of virtue signaling.

It seems very strange to me that no specific competencies are listed, and the first one that we consider adding is climate change. There are far more core competencies for an actuary that should be listed before getting onto any peripheral topics.

I see climate and sustainability as technical areas. No other technical areas are called out in the code. It would be disproportionate and potentially fad-ish to call out climate and sustainability. It would open the question of where the IFoA stops in listing other relevant technical areas (longevity, interest rate policy, taxation etc.).

I don't believe that it is helpful for the specific topic of climate change to be referenced in such a high level document as the AC. It will appear incongruous, and could lead to calls for any manner of other specific topics to be referred to in the AC in future. The AC should stay as a high level set of principles.

Existing mandatory guidance already prompts Members to consider climate change and sustainability, for example, taking the Competence and Care amplifications as a whole: 2.1 Members must ensure they have an appropriate level of relevant knowledge and skill to carry out a piece of work.

- 2.2 Members must continue to develop their knowledge and skills in a manner appropriate for their role and comply with the Institute and Faculty of Actuaries' Continuing Professional Development (CPD) requirements.
- 2.3 Members must ensure their work is appropriate to the needs and, where applicable, instructions of user(s).
- 2.4 Members must consider whether input from other professionals or specialists is necessary to assure the relevance and quality of work and, where necessary, either seek it themselves or advise the user to do so, as appropriate.

So, in respect of climate change and sustainability, Members already need to have an appropriate level of knowledge, keep that knowledge up to date as required, make sure their work is appropriate (which may include the judgement not to advise at length on the impact of climate change and sustainability risk) and seek other advice where relevant.

Adding a rule to a principle-based code seems to us a step backwards in the direction of Guidance Notes, which ended up in some cases being regarded as tick-box checklists of issues to be covered in actuarial work regardless of their relevance.

We also find it curious that the impact assessment for this proposal (3.5) states that the proposed wording would not make a material difference to the regulatory expectations already set for members within the existing wording of the Code. If so, why (and how) is this amendment to provide more value and benefit to users of actuarial work (3.2)?

## Question 2

To what extent do you agree with option A that amplification 2.1 (competence and care principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

### Strongly disagree (4 of 4)

Developing real competence in climate change science is a significant undertaking which would require a long period of study. It is hard not to conclude that the IFOA do not really want actuaries to develop competency in this field, they simply want them to spout the "climate change emergency" mantras that fill the media - this is the profession engaging in virtue signalling

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Actuaries should not proselytise (be "Influencers"), especially as amateurs. See "Introduction" - pages 22 on

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Actuaries are not climate scientists. As a profession, we do not yet have competence on climate change. Until such time as there is a body of actuarial thinking well disseminated in the profession (i.e. the profession is competent in the issue) it would be wrong to add a reference to climate change to the competence section of the code. Even if the profession were competent on climate change, it could still be wrong to add a reference to it in the code. The code should not become a listing of all areas in which actuaries are competent.

### Question 3

To what extent do you agree with option A that amplification 6.3 (communication principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

#### Strongly agree

Same comments as question 2. However, Isio considers that where clients are limited in their willingness or ability to take account of climate considerations in their decision making or operations that it is important that actuaries continue to communicate climate risk and considerations as an element of their advice.

### Question 3

To what extent do you agree with option A that amplification 6.3 (communication principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

#### Agree

We welcome the proposed change to the Actuaries Code to reference climate change and sustainability, however suggest that the slightly broader proposed update described in Option B be adopted.

The principle of Communication is clearly relevant here and amending amplification 6.3 as proposed seems like the most appropriate approach. Consistent with our response to question 2 above, we would suggest adding some further wording to reflect that members are unlikely to be communicating on climate change and sustainability issues in isolation, but rather within the overall context of a communication relating to actuarial work. This could be achieved by adding wording as follows. 6. Communication 6.3 Members must take reasonable steps to ensure that any communication for which they are responsible or in which they have significant involvement is accurate, not misleading and contains an appropriate level of information. This includes relevant communications which include references to climate change and sustainability within their overall context.

It is appropriate that actuaries should communicate how they have allowed for the impact of climate change in their work. I would tighten the wording of the proposed sentence slightly to refer to the impact of climate change and sustainability on the piece of work in question, rather than communication on climate change and sustainability more generally.

### Question 3

To what extent do you agree with option A that amplification 6.3 (communication principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

#### Disagree

Would not want to lose the general principles-based nature of the code itself

The actuaries' code is principles based. Making explicit reference to a single risk goes against this. However communicating about Climate Change will increase awareness and hopefully help to reduce the impact of climate change, so there is a public interest benefit.

I prefer option B as I think better to be more generic

As noted above, given the current high level nature of the Code it does not seem appropriate or necessary to single out climate change and sustainability in the Code. The provisions in the Code, together with TAS requirements, mean that members should already be ensuring their communications adequately cover climate change and sustainability risks, where these are relevant to the user.



### Question 3

To what extent do you agree with option A that amplification 6.3 (communication principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

#### Strongly disagree (1 of 3)

We do not believe that the Actuaries' Code is the correct place to highlight these risks. The Code is a set of high-level principles. We think it inappropriate to use it to highlight one or two specific risks, no matter how systemic they may be. Doing so would open up the question as to whether other current and future systemic risks (for example, biodiversity) should also be highlighted in this way. Furthermore, important as they are for humanity as a whole, climate change and sustainability are unlikely to be the most important risks in any particular piece of actuarial work. For example, a mature pension scheme may be anticipating winding up over the course of the next five years. In this case, other risks such as interest rates, inflation and mortality are likely to be significantly more important in any work for that scheme. Specifically highlighting climate risks in the Actuaries' Code would introduce confusion by suggesting this should be given prominence over other risks, even where this would be clearly unnecessary, and would detract from the existing strength and simplicity of the Actuaries' Code. Finally, even if we accept that systemic risks should be specifically referenced in the Actuaries Code (which we don't), it is hard to see why climate change and sustainability have been highlighted as opposed to other systemic risks, such as recent examples of political and pandemic risks which have enduring impacts and trigger multiple other risks.

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This is just a superficial change

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The only thing such wording will achieve is an unwarranted feeling of smug self-satisfaction by many who mistakenly believe they will be able to reflect climate change in their calculations without incurring substantial costs investigating all aspects of climate change that **might** have an effect on their calculations (including the valuation of assets that might significantly change due to market conditions triggered through fears of climate change. The IFoA should be protecting its members from the impossible obligations of such an option.

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The narrow focus on these 2 issues may lead to other key issues not being appropriately handled e.g. obesity

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The main impact of this change is likely to be more superfluous text in reports and so will only add to pollution.

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See above. Presentations are one sided - for a balanced view, see [Spectator](https://www.spectator.co.uk/article/net-zero-is-a-disastrous-solution-to-a-nonexistent-problem) dated 6 November <https://www.spectator.co.uk/article/net-zero-is-a-disastrous-solution-to-a-nonexistent-problem>

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No other area of risk is so explicitly called out within the communications section of the actuaries' code. This looks like virtue signalling.

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I don't see the need to single out this one **theme** as communication requirements should apply equally to all work

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On the point of principle, we disagree with the suggested inclusion for the same reasons as set out in our answer to Question 2.

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Turning to the proposed wording it seems **ambiguous** to us. We think it means that climate change and sustainability should be included in communications where relevant (and proportionate), whereas it could be interpreted as referring to communications that are about climate change and sustainability.

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Many of the points raised in Q2 also apply here.

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We feel it is duplicative to introduce additional wording into two amplifications.

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If a change has to be made to the Code, we would prefer to see changes made to just one amplification. Rather than amend existing phrasing, we would suggest adding a new amplification 2.5 with broader phrasing (further details in Q4 below): "Members must ensure that they consider the impact of systemic risks, such as climate change, on their work". We do not actively support this approach, but feel it would be an improvement on both Options A and B.

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### Question 3

To what extent do you agree with option A that amplification 6.3 (communication principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

#### Strongly disagree (2 of 3)

Further to our comments above, by specifically expecting/inviting focus on this area we believe it undermines the actuary's professional judgment in reporting proportionately and appropriately on the material risks in the context of the advice commissioned. Our Technical Standards are written so that 'nothing in them should be interpreted as requiring work to be performed that is not proportionate to the nature, scale and complexity of the decision or assignment to which the work relates and the benefit that users would be expected to obtain from the work.' An overriding professional code that appears to demand specific focus on one area would appear to run contrary to that, to the detriment of the users of our advice.

For the reasons outlined above - I have no competency in this arena. This is my professional body requiring me to communicate things that are wrong

Existing mandatory guidance already prompts Members to consider climate change and sustainability, for example, taking the Communication amplifications as a whole:

- 6.1 Members must communicate in a timely manner, clearly, and in a way that takes into account the users.
- 6.2 Members must show clearly that they take responsibility for their work when communicating with users.
- 6.3 Members must take reasonable steps to ensure that any communication for which they are responsible or in which they have a significant involvement is accurate, not misleading, and contains an appropriate level of information.
- 6.4 Where Members identify that a user of their work has, or is reasonably likely to have, misunderstood or misinterpreted the information or advice provided by them in a way that could have a material impact, Members should draw the user's attention to this.

So, in respect of climate change and sustainability, Members already need to consider whether their communications are clear, accurate and contain an appropriate level of information on climate change and sustainability risks - and they need to do this taking into account the users of their work.

Adding a rule to a principle-based code seems to us a step backwards in the direction of Guidance Notes, which often ended up being used as tick-box checklists of issues to be covered in actuarial work, regardless of their relevance to the users of the work.

We also find it curious that the impact assessment for this proposal (3.5) states that the proposed wording would not make a material difference to the regulatory expectations already set for members within the existing wording of the Code. If so, why (and how) is this amendment to provide more value and benefit to users of actuarial work (3.2)?

Finally, when consulting internally on the proposals, a few Members interpreted the proposed changes to 2.2 and 6.3 as a combined mandatory caution against advising in any meaningful way on climate change and sustainability matters - this being on the basis that most Members are not and never will be climate and environmental scientists (in the same way that actuaries are cautioned against acting as lawyers or covenant advisors). We think this is a misunderstanding of the intent of the proposals, but it does show the danger of well-intended changes having unintended outcomes (and perhaps that guidance is a better place for such messages)

As per our response to question 2, our primary concern is that the proposed addition is the first step into introducing specific rules into a principles-based code. The Code works very well as a principles led one - there is no need to add specifics into it. Again, the suggested wording does not add anything to the Code. If an actuary is including advice on climate and sustainability risks, then the Code already requires them to contain an appropriate level of information on these issues. The suggested new wording is merely guiding the actuary to think about a specific risk - it is looking to educate the actuary to include information on these specific risks. It is not the role of the Actuaries' Code to educate. Education needs to be outside the Code.

### Question 3

To what extent do you agree with option A that amplification 6.3 (communication principle) of the Actuaries' Code should be amended to include 'climate change and sustainability', as outlined in the consultation document?

#### Strongly disagree (3 of 3)

As for Q2, you have undermined your own case for this change in the impact assessment (3.5 of the consultation paper). More specifically, this is already an implicit requirement of amplification 6.3.

As above there should be no changes to the Actuaries Code.

Again, it does not reflect actuarial skills

Again -we are not experts in the field and there is some subjectivity in the topic that would mean ability to advise could be restricted. No-one would benefit if that were the case.

Actuaries are not climate scientists. As a profession, we do not yet have competence on climate change, and therefore have little to communicate on the issue. Until such time as there the profession has something important to say on the issue it would be wrong to add a reference to climate change to the communication section of the code. Even then, it could still be wrong to add a reference to climate change in the code. The code should not become a listing of all areas in which actuaries have something to communicate.

#### Question 4

To what extent do you agree with option B that amplification 2.1 (competence and care principle) of the Actuaries' Code should also be amended to include 'new and emerging risks', as outlined in the consultation document?

#### Strongly agree

We believe that this slightly broader amendment ensures that appropriate time and energy is devoted to new and emerging risks. This could include for example biodiversity loss, which we see as the fast follower behind climate change, but which might get lost when using the "climate change and sustainability" taxonomy only, and risks arising from future development of other proactive frameworks such as SDG-focused initiatives. Understanding other new and emerging risks should be seen as a core component of good risk management practice, and something which the profession should therefore advocate in the Actuaries Code. This is also consistent with principle-based approach, allowing the necessary flexibility to achieve positive outcomes in a fast moving and dynamic area.

Option B fully meets the objective of integrating climate change in the Actuaries' Code, including the unspecified emerging risk areas. Climate and sustainability addresses a specific section but does not contain other risks, e.g. data science, ethics and use of AI

In response to questions 2 and 4, I agree that specific reference should be made, however the choice of wording should more clearly reflect the reasons for the change. My proposal for 2.1 is "Members must ensure they have an appropriate level of relevant knowledge and skill to carry out a piece of work, including in relation to existing and emerging issues of a systemic nature such as climate change and sustainability." It is important that climate change is recognized as systemic in nature as it is not clear that actuaries currently make allowance for systemic issues, of which climate change is just one. It is also important that other systemic issues are not overlooked.

#### Question 4

To what extent do you agree with option B that amplification 2.1 (competence and care principle) of the Actuaries' Code should also be amended to include 'new and emerging risks', as outlined in the consultation document?

#### Agree

It would be better if the word "relevant" was added before new and emerging risks

I think this is appropriate, covering climate risk and also future proofing to cover other emerging risks.

#### Question 4

To what extent do you agree with option B that amplification 2.1 (competence and care principle) of the Actuaries' Code should also be amended to include 'new and emerging risks', as outlined in the consultation document?

#### Disagree (1 of 2)

We would be concerned that adding the additional wording around "new and emerging risks" could lead to messaging around climate change and sustainability being watered down. This additional wording should not be included in order to ensure that climate change and sustainability are given the specific attention they require.

This is too vague to be helpful.

This is too broad to be applied generally. A proper analysis of new and emerging risks is a substantial undertaking which is feasible at a firm level but will be impossible for individual actuaries to comply with in all circumstances.

There were mixed views within our organisation. Those who disagreed with the proposal commented that 'new and emerging risks' is a potentially subjective term and the classification of any particular risk under this definition may differ between practice areas at any point in time. As noted in paragraph 3.6 of the consultation document, this is an open-ended definition which would be likely to have a material impact on members, and which is already implicit in the current and suggested wording under Option A. However, others would have been happy to amend the wording for the reasons set out in the consultation document.

The introduction "New and Emerging Risks" may undermine the importance of climate change and sustainability. We believe the importance of these issues should not be understated and are deserving of standalone consideration. Additionally, this approach leaves large amounts of ambiguity. Actuaries should already be forward looking in their approach and should be considering new and emerging risks. However, if the IFoA believes a new risk emerges that is as important as climate change and sustainability, then they should carry out a similar consultation for elevating the importance of the new risk around members.

See response to question 2.

- In addition, it is already clear from amplification 2.2 that members are required to ensure their knowledge and competence remains up to date, which would include developing appropriate knowledge about "new and emerging risks". The approach therefore seems unnecessary, as well as risking creating some uncertainty as to what is required of members under 2.2. It is not clear from the addition what would be expected in terms of attempting to identify new and emerging risks, or what could be usefully communicated to users and seems to open up the possibility that members could be criticised with the benefit of hindsight.
- The current Code is clear that you shouldn't act unless you have the relevant knowledge. Therefore, members should already be considering whether there are new areas where they need to develop their knowledge, and further amplification is unnecessary.

The impact assessment notes that this approach would have a material impact on members. We aren't sure why this should be the case, given that the assessment in relation to option A is not expected to be onerous, but if this is the case then it is not clear that this is justified to meet the aims set out in the consultation.

Not as strongly opposed as while it is wider and therefore more principle based than option A, it still downplays current risks.

It is better to widen out to other risks, but this still leaves a situation where other existing risks are given lower importance than new ones. And the same point made in previous answers still applies - lack of expertise could restrict ability to advise.

I prefer this to option A, as it mirrors the principle based approach of the Code. However it will be hard to apply in practice, as the guidance to support it will not be available as a new risk emerges.

As above. I would be in agreement with adding "new and emerging risks" but not then including specific examples.

#### Question 4

To what extent do you agree with option B that amplification 2.1 (competence and care principle) of the Actuaries' Code should also be amended to include 'new and emerging risks', as outlined in the consultation document?

#### Disagree (2 of 2)

As noted above, we disagree with proposals that run contrary to the Codes' status as a principles-based standard. If the Code has to be amended, then we support the idea of broadening out any additional provisions to look beyond climate change and sustainability. With this in mind, and with a view to future-proofing the Code, we prefer Option B to Option A. We do, however, have significant difficulties with the wording as currently proposed:

- The phrase 'climate change and sustainability and new and emerging areas' is long and unwieldy. It is also unclear: 'areas' of what? Used in context it is grammatically awkward.
- The logic of this wording will fade as climate change is no longer seen to be 'new and emerging'. In our view, an improvement would be to reference only the broader issues – the 'new and emerging areas' – and to drop the direct reference to climate change and sustainability. This is more consistent with a principles-based standard but, again, this is far from ideal:
- How do actuaries know what a 'new and emerging area' looks like and when does it reach the threshold of being important enough to consider? Climate change has been acknowledged for decades but has only recently become such a hot topic. (Perhaps the JFAR's Risk Perspective or the IFoA's Risk Alerts have a role to play here?)

Does this wording increase the risk of non-compliance as it is too vague? Disciplinary proceedings are likely to benefit from hindsight when deciding whether an issue is 'new and emerging'. Suggested alternative: In our view, a further improvement would be to use the wording suggested in our answer to Q3. "Members must ensure that they consider the impact of systemic risks, such as climate change, on their work". We feel this provides a better balance between the desire to retain principles-based guidance that is future-proof, whilst still including an explicit mention of climate change (as seems to be the IFoA's intention).

#### Question 4

To what extent do you agree with option B that amplification 2.1 (competence and care principle) of the Actuaries' Code should also be amended to include 'new and emerging risks', as outlined in the consultation document?

#### Strongly disagree (1 of 3)

If you removed the reference to climate change and sustainability, I might wear this as a tolerable addition to the existing wording. It is, however, already a clear requirement imposed by amplification 2.2: Members must continue to develop their knowledge and skills in a manner appropriate for their role and comply with the Institute and Faculty of Actuaries' Continuing Professional Development (CPD) requirements. Here you do consider that this would likely have a material impact on Members' work. I struggle with the logic here.

what are these new and emerging risks? this is too vague

We do not believe that the Actuaries' Code is the correct place to highlight these risks. The Code is a set of high-level principles. We think it inappropriate to use it to highlight one or two specific risks, no matter how systemic they may be. Whilst this wording addresses a concern that we expressed with Option A (i.e. that it would open up the question as to whether other current and future systemic risks should also be highlighted in this way) it opens up another question: why would the Code not also highlight more traditional risks such as interest rates, inflation and mortality? As detailed above, important as they are for humanity as a whole, climate change and sustainability are unlikely to be the most important risks in any particular piece of actuarial work. Specifically highlighting climate risks in the Actuaries' Code would introduce confusion by suggesting this should be given prominence over other risks (both traditional and systemic), even where this would be clearly unnecessary, and would detract from the existing strength and simplicity of the Actuaries' Code.

Too general. We are not prescient or omniscient.

This is an extension of option A so I disagree on those grounds. If the wording were only changed to refer to new and emerging areas e.g. "This includes relevant knowledge and skill on new and emerging areas." then this might have some minor merit as a "don't get stuck in your ways" point but it doesn't feel necessary. It is also very difficult to define what new and emerging areas means in practice and to what extent they must emerge before useful to consider further.

The wide scope of "new and emerging risks" places members at significant legal risk of failing to cover topics where knowledge is incomplete

The proposed amendment is too vague. What constitutes a new or emerging area is very subjective and different professionals will take different views. It is very unsatisfactory to mandate actuaries to have to consider such an ill-defined scope with no direction.

The narrow focus on these 2 issues may lead to other key issues not being appropriately handled e.g. obesity

Our reasons are the same as for question 2. The suggested wording does not add anything to the Code other than additional words. Actuaries' work would not be complete, and hence would be compliant with the Code, if it did not take account of new and emerging risks under the current wording. The suggested addition is superfluous.

New and emerging risks are implicit in the current wording. There is no justification in amplifying them. Amplifying them will not make them more easy for members to evaluate, but will clue in principals to the opportunity to sue the actuary for failing to reflect new and emerging risks that no reasonable actuarial body would ever believe was appropriate to expect an actuary to anticipate. By changing the wording, the IFoA throws all its members at the mercy of juries made up of people with minimal professional awareness of the intricate calculation actuaries perform and who will naturally favor a plaintiff who suffered a loss not caused by the actuary, and force all actuaries to incur higher premiums on professional insurance policies to cover such claims.

On the point of principle, we disagree with the inclusion of climate change and sustainability for the same reasons as set out in our answer to Question 2.

Turning to the proposed wording, we would be less averse if the first sentence of the current amplification was expanded, but only to mention new and emerging areas.

#### Question 4

To what extent do you agree with option B that amplification 2.1 (competence and care principle) of the Actuaries' Code should also be amended to include 'new and emerging risks', as outlined in the consultation document?

#### Strongly disagree (2 of 3)

The comments in response to Option A largely apply here, but with additional concerns around unintended consequences. In our view, whilst including wording on 'new and emergent risks' helps address concerns around climate change being placed on a pedestal within the code, it also opens up actuaries to the potential for significant criticism with the benefit of hindsight. It is not clear from the drafting what would be expected of actuaries in trying to identify new and emerging risks, what level of knowledge would be required and what may be useful in communicating to users. An example of this would be COVID-19, and when in practice this would have been classified as an emerging risk under the code, when it would have been reasonable to include or exclude considerations on COVID-19 from actuarial advice and indeed whether COVID-19 is now no longer a new and emerging risk and therefore whether the interpretation under the code is that it should be of lesser relevance. As a more specific example, in January 2020 it wasn't immediately clear the extent to which the potential pandemic should influence advice or decisions. However, with the benefit of hindsight, the pandemic was clearly a significant and material issue with a broad range of impacts on society and businesses and therefore actuarial advice and the decisions to be taken as a result of such advice. It is unclear to us whether the code as drafted would have expected actuaries to comment, and gives rise to a real risk that in situations like this example that actuaries could be unfairly criticised with the benefit of hindsight. Furthermore, the pandemic provides an excellent illustration on the speed at which relevant knowledge and skill in new and emerging areas can develop. Again, placing an individual onus on actuaries to assess requirements here, where best practice has not yet emerged, is in our view unhelpful.

New and emerging risks are by definition something that not all actuaries will have the same level of knowledge on and it is unreasonable to expect that they will. Specialisms will naturally develop as they do now - e.g. I have no knowledge of the new and emerging areas of risk in relation to General Insurance, but nor do I require to have to do my job. This feels like a dangerous catch-all that is far too general - at what point is a new and emerging risk sufficiently well known about that all actuaries must take it into account, but at the same time is can still be classed as new and emerging. This proposal is deeply flawed.

It is a nonsense to require actuaries to have competence in "new and emerging areas" which the code can neither name nor describe.

In our view, whilst the more generic wording would appear to help 'future proof' against the need for an evolving list, we do not agree that such amplification is needed and the broad nature of 'new and emerging risks' is too vague. It is not practical, or reasonable, to expect all actuaries to be at the forefront of all possible new areas, to be able to challenge them effectively, and then be judged on which were the relevant emerging areas with the benefit of hindsight. As an example, at what stage do you consider that actuaries should have been highlighting the risks of a pandemic (the extent of which would have seemed implausible a few years ago), and what level of (evolving) expertise would be required to satisfy this wording? How would this then apply in practical terms given the very wide range of potential topics that could fall under this umbrella?

Again, there is no justification for picking sustainability out of the long list of things we should be aware of. Though undoubtedly important, sustainability is arguably not even the most important emerging risk for many actuaries. If I were pricing longevity, for example, I would be much more worried about advances in gene-based immunology; if reserving for US liability claims I would be much more worried about social inflation

Far too wide in scope.

As for the above proposed changes, more is less.

Although this is less disagreeable to me than "Option A" I still don't see that there is any particular need to change to Code.



#### Question 4

To what extent do you agree with option B that amplification 2.1 (competence and care principle) of the Actuaries' Code should also be amended to include 'new and emerging risks', as outlined in the consultation document?

#### Strongly disagree (3 of 3)

Given our strong disagreement with Option A, we cannot support an Option B that takes this a step further by adding a further open-ended requirement to consider 'new and emerging risks'.

Had this wording been 'instead' of the wording proposed Option A, we might have disagreed less strongly, but would again point to the existing wording in the code (specifically amplifications 2.1 to 2.4 taken as a whole) making this change unnecessary.

We disagree with the assertion in the Impact Assessment (3.6) that Option B would have a material impact on all Members. Compliance with the existing Code already requires members to consider 'new and emerging risks' as part of maintaining an appropriate level of relevant knowledge and skill and to continue to develop their knowledge and skills in a manner appropriate for their role.

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If it required consideration rather than knowledge it might make sense, but who can have knowledge of such risks? Poor wording

### Question 5

To what extent do you agree with option B that amplification 6.3 (communication principle) of the Actuaries' Code should be amended to include 'new and emerging', as outlined in the consultation document?

### Strongly agree

Option B fully meets the objective of integrating climate change in the Actuaries' Code, including the unspecified emerging risk areas. Climate and sustainability addresses a specific section but does not contain other risks, e.g. data science, ethics and use of AI

### Question 5

To what extent do you agree with option B that amplification 6.3 (communication principle) of the Actuaries' Code should be amended to include 'new and emerging', as outlined in the consultation document?

### Agree

It would be better if the word "relevant" was added before new and emerging risks

### Question 5

To what extent do you agree with option B that amplification 6.3 (communication principle) of the Actuaries' Code should be amended to include 'new and emerging', as outlined in the consultation document?

### Disagree

This is too vague to be helpful.

Response to Q2-Q5. The wording of the existing Actuaries Code covers the principles, without the need for amendment. Whilst we recognise the importance of climate change and sustainability to our work, we do not believe a specific reference is required in the Actuaries' Code. To make an explicit reference would be inconsistent with the approach taken for other relevant risks that are not explicitly mentioned. It also creates a precedent which could lead to more risks being added over time. Further, the proposed wording is not well defined ("new and emerging" and "sustainability" in particular). In a fast-evolving global science (and a global profession) these terms are liable to nuanced changes in use, local interpretation or made redundant with emerging taxonomy

In response to questions 3 and 5, provided the systemic nature of climate change is made clear in 2.1, it is not necessary to include additional reference in the communication section. The existing wording of 6.3 in conjunction with the new wording of 2.1 (as amended above) is sufficient to ensure that communications should appropriately issues that are systemic in nature. Further amplification is not necessary and it is not clear why communication of climate change and sustainability needs to be singled out. If changes are to be made, then I propose similar wording to 2.1, ie add the words: "including in relation to existing and emerging issues of a systemic nature such as climate change and sustainability."

I prefer this to option A, as it mirrors the principle based approach of the Code. However it will be hard to apply in practice, as the guidance to support it will not be available as a new risk emerges.

For the reasons set out in our answers to questions 3 and 4, we disagree with this proposal.

Better than simply climate, but still leaves a situation where ability to advise may be restricted and no-one benefits from this.

Again, there were mixed views within our organisation. Those who disagreed with the proposal commented that 'new and emerging risks' is a potentially subjective term and the classification of any particular risk under this definition may differ between practice areas at any point in time. As noted in paragraph 3.6 of the consultation document, this is an open-ended definition which would be likely to have a material impact on members, and which is already implicit in the current and suggested wording under Option A. However, others would have been happy to amend the wording for the reasons set out in the consultation document.

## Question 5

To what extent do you agree with option B that amplification 6.3 (communication principle) of the Actuaries' Code should be amended to include 'new and emerging', as outlined in the consultation document?

### Strongly disagree

We do not believe that the Actuaries' Code is the correct place to highlight these risks. The Code is a set of high-level principles. We think it inappropriate to use it to highlight one or two specific risks, no matter how systemic they may be. Whilst this wording addresses a concern that we expressed with Option A (i.e. that it would open up the question as to whether other current and future systemic risks should also be highlighted in this way) it opens up another question: why would the Code not also highlight more traditional risks such as interest rates, inflation and mortality? As detailed above, important as they are for humanity as a whole, climate change and sustainability are unlikely to be the most important risks in any particular piece of actuarial work. Specifically highlighting climate risks in the Actuaries' Code would introduce confusion by suggesting this should be given prominence over other risks (both traditional and systemic), even where this would be clearly unnecessary, and would detract from the existing strength and simplicity of the Actuaries' Code.

This feels like a dangerous catch-all that is far too general - at what point is a new and emerging risk sufficiently well known about that all actuaries must take it into account, but at the same time it can still be classed as new and emerging. This proposal is deeply flawed.

The narrow focus on these 2 issues may lead to other key issues not being appropriately handled e.g. obesity

See above. BBC is already getting into trouble over #Greenpreach <https://www.spectator.co.uk/article/revealed-the-bbc-guide-for-covering-climate-change>

Poor wording

On the point of principle, we disagree with the inclusion of climate change and sustainability for the same reasons as set out in our answer to Question 2.

Turning to the proposed wording, we would be less averse if the first sentence of the current amplification was expanded, but only to mention new and emerging areas. Our comment in Question 3 about ambiguous wording also applies here.

It is a nonsense to require actuaries to communicate on "new and emerging areas" which the code can neither name nor describe.

In addition to our previous comments, we believe that anything more than very high level generic comment/caveats are unlikely to assist users of our advice in most cases and are concerned that 'appropriate information on an emerging area' will look (and be judged) very differently with the benefit of hindsight.

I don't see the need to single out this one theme as communication requirements should apply equally to all work

Far too wide in scope.

Given our strong disagreement, with Option A, we cannot support an Option B that takes this a step further by adding a further open-ended requirement to consider 'new and emerging risks'. Had this wording been 'instead' of the wording proposed Option A, we might have disagreed less strongly, but would again point to the existing wording in the code (specifically amplifications 6.1 to 6.3 taken as a whole) making this change unnecessary. We disagree with the assertion in the Impact Assessment (3.6) that Option B would have a material impact on all Members. Compliance with the existing Code already requires members to consider 'new and emerging risks' in order to maintain an appropriate level of relevant knowledge and skill and to continue to develop their knowledge and skills in a manner appropriate for their role.

As noted in the previous answers, the suggested additional wording is superfluous and does not add to the Code. Communication already needs to be complete in that it contains the appropriate level of information. This includes any new and emerging risks already.

As above - the code already covers this sufficiently.

## Question 7

If you Strongly Agree or Agree with question 6, do you think that such guidance should be either in addition to or instead of changes to the Actuaries' Code?

### In addition to

To appropriately amplify the importance of the issue and to ensure understanding of climate change and sustainability is recognised as a core competency for actuaries. This would also provide members with sufficient knowledge to allow them to take tangible steps in not only demonstrating that they have complied with the principles, but also encourage members to be more progressive and to take steps towards good practice. Non mandatory guidance would also set a benchmark for expectation of good practice across the profession.

Specifically mentioning climate change and sustainability issues within the Actuaries' Code itself is the clearest and most visible way for the profession to demonstrate its commitments under the Green Finance Education Charter. As the Code is generic apart from these references, it would be appropriate to include specific guidance relating to them.

Non-mandatory guidance unaccompanied by a change in the Code is too weak.

Keep actuaries' code changes simple

It is essential that changes made to the Code are brief to ensure its continuing validity as a workable principles-based document. Non mandatory guidance is always helpful in addition, and the new wording would benefit from additional guidance.

I think it is appropriate for Option C to accompany Option B, recognising the importance of climate risk as a specific example of the emerging risks which would be included in the AC as a result of Option B

Guidance would help ensure consistency in the treatment of climate related risks.

## Question 7

If you Strongly Agree or Agree with question 6, do you think that such guidance should be either in addition to or instead of changes to the Actuaries' Code?

### Instead of (1 of 2)

You are currently proposing to high a burden in a field which is neither certain nor where actuaries know the answers

We do not support the changes to the code but would greatly welcome additional guidance, particularly guidance that offers practical and proportionate solutions where detailed consideration of such risks would appear disproportionate in the context of the advice commissioned and/or unlikely to influence direct outcomes.

We are very supportive of the IFoA issuing guidance on climate change and sustainability issues, and we agree that the introduction of specific guidance to accompany the Actuaries' Code would be an appropriate way to address this. We note that you propose to consider the possibility of any new APS once this review is complete and this will also take into account all of the feedback from this consultation. (ie Option D Introduction of a new Actuarial Profession Standard). We would concede that there may well be an argument for the introduction of mandatory guidance, whether this be in the form of a new APS or in some other form. This appears to us to be, potentially, an appropriate way to regulate the requirement for actuaries to have the appropriate level of knowledge and skill in this area, together with the requirement for actuaries to take care when communicating on these issues, than making amendments to the Actuaries' Code. However, in order to form a definitive view on Option D we would need to understand the proposed content of such guidance.

We agree the importance of the issue but believe the Actuaries Code should be principles based and so should not be drawing out particular risks. We would strongly support a new Actuarial Professional Standard on Climate Change and would see guidance as a stop-gap solution while this was developed. This approach will also give time for IFoA to decide exactly what it would like actuaries to do.

This is our preferred option. As noted above, the additional wording being suggested for the Code is educational in nature; drawing the actuary's attention to one specific are of risk. If there is felt to be a need for this, then the guidance is the place for it to be.

The wording "non-mandatory guidance on climate change and sustainability issues" is reasonably positive in itself but then the proposed implementation is inappropriately placed inside explicit guidance on the ethical code. This again hoists climate change above all other issues (many of which would be more important to a piece of advice). It is also entirely unnecessary as written. Separate practice area guidance on climate change would probably be helpful as noted in Q1 and 8.

The guidance is extremely useful for actuaries. The code already requires Competence and Communication of Uncertainty. Climate Change is a risk, and so is implicitly covered by the code already.

The code is deliberately high level principles to cover all aspects. I have some concerns that adding specific examples is not appropriate. When the next major risk came along would the view be that would have to be added to the code as well.

Neither. Bottom-up approach is required e.g. working parties, education changes.

In nascent areas such as this, it makes far more sense to support members rather than seeking to regulate them.

I do not agree with the need for changes to the Actuaries' Code - it feels knee jerk and reactive rather than considered, measured and appropriate.

I am opposed to the proposed alterations to the actuaries' code. It follows therefore that any guidance issued should be instead of the proposed alterations.

I am not convinced this is needed but if there must be something then include it in the non-mandatory guidance rather than singling out one particular area of risk in the code and ignoring all others.

## Question 7

If you Strongly Agree or Agree with question 6, do you think that such guidance should be either in addition to or instead of changes to the Actuaries' Code?

### Instead of (2 of 2)

As set out above, whilst there is agreement of the importance of climate change as an issue, we believe that the actuaries' code should be principles based and not drawing out individual risks. We see non-mandatory guidance as an excellent way to initially set out best practice in a way that can be refined and updated to reflect the fluid nature of new and emerging risks such as climate change. We would also note that initial guidance could also act as a 'stop-gap' whilst the IFOA considers developing best practice, the way that this can be reflected in advice and any additional relevant training and resources to offer its members.

As noted in my earlier answers, changing the code to include specific requirements to reflect climate change is a recipe for ruining all IFoA members worldwide who must comply with the code through the need to incur huge professional insurance costs to cover the almost inevitable claims from disgruntled principals for work done by actuaries that cannot begin to attempt to reflect the vastness of possible outcomes of climate change. This is not just shooting ourselves in the foot, it is reckless and potentially suicidal for the entire profession to have to comply with impossible levels of investigation and reflection of probabilities.

## Question 8

Are there additional areas of non-mandatory guidance you would like to see on climate change and sustainability<sup>9</sup>?

### Open response (1 of 3)

Yes, we believe references to climate change and sustainability should be addressed in a non-mandatory guidance that is separate to the Actuaries' Code.

Yes, clear requirements that those responsible for setting any rules (in the code or elsewhere) that require compliance by IFoA members should be required to perform projections of worst case professional insurance premiums to cover the entire membership if they adopt rules requiring any mandatory reflection of climate change by members or lead principals to expect that members have readily available resources to enable them to factor climate change specifically into their calculations.

We would like to see more guidance on scenarios. Most focus on scenarios so far is on the asset side and ignores the liability side. Further guidance on some of the actuarial issues which are wider than funding and investment would be helpful as well.

We believe the IFoA could place a greater focus on sponsor covenant, journey planning and mortality. Helping develop best practice solutions in these areas

This topic should be investigated to the extent that members consider it relevant to their practice areas just like any other.

There is clearly a difference between addressing climate-related risks and opportunities in work for our clients and acting in the public interest by trying to solve the climate crisis. These are two very different things (although they sometimes overlap, admittedly). Some clarity for members about how far the consideration of the public interest is supposed to take them would be a helpful addition to non-mandatory guidance in this respect. We also believe that members would benefit from further guidance / support on addressing systemic risks (such as climate, biodiversity, inequality, etc.) and help in navigating these in the context of individual situations and discrete pieces of work as well as within the context of the wider pensions, insurance and financial (eco)system.

The IFoA needs to commit to updating the Guidance on at least an annual basis, and ideally more frequently. This is a rapidly developing area, and any detailed Guidance can be out of date quite rapidly. See question 11 for comments on future scenarios.

The 2017 guide (Resource and Environment Issues: A Practical Guide for Defined Benefit Pensions Actuaries) should be updated once TPR has finalized its revised Code of Practice on Funding, and the FRC has published any relevant changes to TAS 100. Linking any IFoA guidance to other regulatory requirements may improve the credibility and take-up of any such guidance, whilst leaving flexibility for Members to implement it in a proportionate way given specific client circumstances and materiality against other risks. In doing this, the IFoA should look to harness the best available commercial thinking in this area from those providing pensions actuarial, investment and covenant services to clients.

powering buildings with renewables, limits on employee travel by plane, options for green pensions, staff canteens reducing meat

Not without evidence that actuaries are ignoring it in their advice to clients/stakeholders. We should not issue guidance without a cost-benefit analysis

None that we can think of in responding to the proposals you have put out for consultation. But we have made some suggestions in related areas in responding to Questions 1 and 2.

No. The problem is that it will be seen as virtue signalling. Areas that actuaries could add real value - eg, carbon pricing and discount rate for CC benefits - should be investigated.

<sup>9</sup> In addition, five respondents answered "No".

## Question 8

Are there additional areas of non-mandatory guidance you would like to see on climate change and sustainability<sup>10</sup>?

### Open response (2 of 3)

No - in my arena, pensions, the IFoA has been substantially outperformed by materials, guidance and training delivered by commercial organisations with appropriate expertise, for example . The IFoA's last pensions guidance in this area was of minimal use in talking to most clients. Even in the consultation webinar, we had an example of someone with no expertise or experience actuarial work expressing scepticism about the the thematic review feedback and the work done by pensions actuaries in relation to scheme funding. Perhaps this individual, and others banging drums on this issue, need to consider their own development priorities under 2.1 of the Actuaries' Code, and also consider amplification 1.1 of the Integrity principle.

Liase with FRC on potential technical standards / guidance

It would be useful to have some guidance on the ethics of allowing for climate change and sustainability. For example, to what extent is it the actuary's responsibility and to what extent should actuaries try to influence the actions of their clients? The IFoA and RSS's joint publication 'A Guide for Ethical Data Science' might provide a useful framework in this respect. This guide identifies particular themes and challenges of working in a data science setting, but also provides helpful practical examples of how these challenges might be addressed. Production of a similar document for climate change and sustainability considerations would help members understand their role in facilitating the profession's objectives in its climate change statement.

Isio's view is that any guidance in relation to climate change and sustainability should be mandatory in order for the guidance to achieve its aim. Care should also be taken to avoid any guidance becoming an aspirational target rather than a minimum standard for the industry to follow.

Guidance on training and educating senior management and the Board. Guidance on applying in a proportionate way. And Guidance on allowing for Climate Change in a 1-year Solvency II time horizon regime where the risk over a single year is low, so is unlikely to be the priority for an individual insurer, but the cumulative risk over several years is high.

I think the practical guides by subject area should continue to be developed

I think IFoA should work with the IFRS new SSRB - I can provide introduction if required

I have not answered this question because I do not understand what it is driving at.

I consider Option D (a mandatory APS) to be the appropriate way forwards, applied to all areas of practice. This would be appropriate for what is essentially a technical area.

How to indicate likelihood? Reasonableness of assumed government policy actions etc?

In addition to the practical guides and the resources listed in appendix B, it may be helpful to develop a mechanism which allows actuaries to navigate through the existing non mandatory guidance published by other organisations. This could include papers by working groups providing summaries of market developments and frameworks, regulatory scans, and directional of travel status reports covering topical areas such as biodiversity and SDG-focused initiatives.

Case studies sorted by practice area, practical applications as part of professional skills training, dedicated CPD hours for climate change/emerging areas

As noted in Q1 standalone guidance on climate change as a practice area might be useful. I think actuaries could have a huge amount of value to this area if done right. Guidance would perhaps be particularly useful given how hugely political an area it is. The professionalism of actuaries is therefore of huge importance.

<sup>10</sup> In addition, five respondents answered "No".



## Question 8

Are there additional areas of non-mandatory guidance you would like to see on climate change and sustainability<sup>11</sup>?

### Open response (3 of 3)

Approaches developed to date tend to focus on the investment implications of climate change where in practice climate change impacts multiple facets of actuarial work, for example mortality, sponsor covenant and journey planning. That said, providing tangible advice on this issue is difficult and more thinking is required by the profession noting that in many cases the uncertainty works both ways. More work is required by the industry as a whole to develop best practice.

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A recognition that it is not always relevant - e.g. for short-term insurance covers.

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- Not from a pensions/investment perspective.
- There is no specific question on Option D, a new APS covering climate change. While there may be an argument for the introduction of a new APS, or for additional guidance to be added in subject specific APS, the consultation does not provide sufficient detail to properly assess this proposal.

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<sup>11</sup> In addition, five respondents answered “No”.

## Question 9

What, if any, impact do you think the proposals (either in Options A, B, C or D, please specify) would have on users of actuarial work and public confidence in actuarial standards??

### Open response (1 of 6)

Within the DB pensions actuarial sector, it is not clear to us that either of options A or B would have a material impact on the users of our work or public confidence in actuarial standards, particularly for reserved work such as funding or actuarial factor advice. There may even be a danger that we are perceived to be creating work for actuaries (and costs for clients) that increases uncertainty, eg through 'analysis paralysis', without having any material impact on the key outcomes for trustees, sponsors and scheme members.

Our experience is that where actuaries are involved in providing investment governance advice to pension schemes, it is already common practice to consider climate risk and sustainability as part of meeting regulatory ESG requirements - changes to the Actuaries' Code will not have any material impact on what is already being done.

Appropriate non-mandatory guidance (Option C) will help actuaries be more confident in carrying out proportionate analysis, discussing materiality issues with clients and other stakeholders, and moving discussions forward. This would be of benefit to users, improve public confidence, and ultimately the reputation of the profession.

We would need to see the nature of any relevant APS before commenting on its likely impact. We do have some concerns that a cross-practice APS on climate change and sustainability matters might be difficult to implement, or be written at such a high level as to add nothing material to other regulatory requirements, eg any revised TASs (generic and practice-specific taken together).

Whilst we understand that there may be a desire to include explicit reference to climate change in the 'flagship' Actuaries' Code (under Options A or B), we remain to be convinced that this will materially, and positively, impact public confidence in the work that Actuaries do.

Typically, what drives public confidence in a profession - and what potentially brings a profession into disrepute - are the standards of behaviour seen in practice. Behaviour drives public confidence, more so than the wording of codes of conduct (albeit that latter might be helpful in determining disciplinary cases and appropriate next steps).

Shoehorning references about climate change into the Code could be perceived as virtue signalling, which by itself could diminish the standing of the Code in the eyes of the public. Furthermore, the Code might also be seen to be ineffectual if statements in the Code do not directly translate into changes in the conduct of actuaries' day to day work.

Promoting initiatives such as the IFoA's recent information gathering report in this area are, in our view, more likely to help build public confidence in underlying actuarial work. The IFoA has already issued a clear, focused Climate Change Statement which is specifically designed to meet the needs of those looking for reassurance on this topic.

Whilst in theory option A may not be a material change in practice it is likely to have a significant impact on actuarial work by increasing the focus on climate risk and driving more consistent consideration of the impact. Significant additional support material will be required. It is critical that support material provides practical advice to actuaries on the sort of response that they should be taking with specific typical pieces of actuarial work.

We believe that token wording in reports (e.g. 'no specific allowance has been made for climate change') would do little to enhance public perception of our advice and requiring a detailed disproportionate focus on this topic when not central to the advice being commissioned would risk poorer understanding and poorer decision making. Whilst some actuaries will become specialists in this field, it is unreasonable to encourage the public to believe we all are and adding wording to the code appears to set unrealistic expectations for users. We support options C and D which offer the opportunity to generally improve base line understanding and discussion of these issues within the profession whilst also encouraging greater expertise where relevant.

## Question 9

What, if any, impact do you think the proposals (either in Options A, B, C or D, please specify) would have on users of actuarial work and public confidence in actuarial standards??

### Open response (2 of 6)

We believe that any form of mandatory requirements (such as Option D), appropriately drafted, would be expected to help support public confidence in actuarial standards.

We are not convinced that any of the proposals in A to C would have an impact on users of actuarial work or public confidence in actuarial standards. It is not possible to comment on D without seeing at least the broad headings of what might be covered.

Users would already expect actuarial work to have considered climate change particularly for longer term projections

Users of actuarial work are unlikely to be affected by Options A and B as the existing wording covers these points. It is a concern that Options A and B could lead to compliance driven activity that may not benefit users. Without proposed wording it is difficult to comment on the benefit that Option D would have. It has the potential to bring some consistency which could encourage confidence. However, a poor standard could lead to compliance driven activity that does not benefit users. It should also be considered whether the current TASs can be simply amended to incorporate climate change and sustainability.

There is a high degree of uncertainty regarding climate change (especially over the long term) and the proposals may give users an inappropriate confidence in actuarial work on this issue.

The requirement under Option A to consider and reference climate change and sustainability issues within relevant work and communications is likely to improve awareness of such issues amongst users of actuarial work and encourage more holistic outcomes. This would be assisted by either non-mandatory guidance on the subject as proposed under Option C, or a potential Actuarial Profession Standard as suggested under Option D, to help inform actuarial advice in this area. In particular, we consider that an Actuarial Profession Standard should address the potential conflicts between the interests of the client and the public interest when climate change and sustainability issues are brought into play. We consider the proposed wording under Option B to be too subjective and wide-ranging to translate directly into improved public confidence in actuarial standards.

The proposals (particularly A or B) will be an additional burden on and worry for members. It could result in them spending a disproportionate amount of time on this one particular risk called out in the Code at the expense of all the other risks not called out in the Code.

The impact would be small but it is the principle that is objectionable.

The IFoA has already identified this as a significant risk and therefore embedding it in the code - as a core member requirement - would create the greatest public confidence. Such significant issues covered by non-mandatory guidance would not provide great confidence.

Seen as being "Progressive Activists" <https://www.britainschoice.uk> and "Blah Blah Blah".

Options A and B would make the maximum impact on the profession, would increase awareness among members for further education and improve public confidence in actuarial work

public confidence is already low on "sustainability" because of greenwashing. If the society can show that they've taken action (rather than just issuing words/guidance) I think the public would be impressed with the society

Minimal, and may even run the risk of Actuaries being accused of creating additional work, or losing sight of their clients priorities. If your scheme is small to medium size, 70% funded and the employer is paying the maximum it can afford into the scheme, noodling with the discount rate, presenting evermore unpredictable investment return scenarios, and spending time concluding that we can't predict mortality outcomes from climate change, adds no value or confidence to anyone - members, trustees, sponsors or regulators.

## Question 9

What, if any, impact do you think the proposals (either in Options A, B, C or D, please specify) would have on users of actuarial work and public confidence in actuarial standards??

### Open response (3 of 6)

None. Whilst there may be a knowledge gap at present in the area of climate change and sustainability, a lot of work is being carried out within those entities that employ actuaries, be they consultancies, insurers, etc., to help support their actuaries in gaining the knowledge they need to advise on climate change and sustainability risks. This is being accompanied by work being done to improve modelling techniques and communications to clients so that actuaries are in a position to carry out work that reflects these risks and can communicate them clearly. This is all being done already. The suggested changes will have no impact on the work under way already with the knowledge gap being closed. We are not aware that there is a lack of public confidence in actuarial standards issued by the IFoA and, therefore, do not expect that the suggested changes will have any impact on public confidence.

The main impact would likely be actuaries feeling the explicit mention will require an explicit mention in almost every piece of work whether helpful or not. Indeed I'd perhaps go as far as saying it will effectively use more resources in paper, disk space and processing power with no added value so very un-green. Perhaps worth asking back is what impact are the proposals designed to have? I feel there is a trend in recent regulation for a somewhat dishonest approach to things. Another examples would be ESG regulations. The actual purpose of the changes is to hope for improvements in the environment but the proposals don't actually require that, only that you consider the impact of climate change on the decision being made (not the other way round). Considering the issues might actually mean you do something that has the opposite effect e.g. hedge funds buying dirty stocks due to them being oversold for climate rather than monetary reasons. Actuaries are professionals and will take climate change into account already where it is material to the advice being provided. For that reason the changes will have no material impact. Materiality in this context is both at the impact level but also taking into account whether there is anything that can really be done. Clearly nuclear war would have a significant impact on pension schemes but rightly advice does not refer to it since: the likelihood of it happening is small, our ability to mitigate is nil and ability to model is largely soothsaying. Climate change is very similar for most decisions for pension schemes in that the likelihood of it having a direct material impact on the scheme is small, our ability to specifically mitigate is almost nil and our ability to explicitly model pension scheme impact is largely soothsaying (too many moving parts and lack of direct link to factors). This doesn't mean climate models aren't important to work on but they must be used with care understanding their purpose and uncertainties.

None, apart from giving us more paper to read

none

My biggest fears are that without a significant education programme, the proposals could come across as hollow and box ticking for appearance and public pressure's sake. Ultimately if expertise in this area is deemed to be a requirement then either this will only be adhered to with a very light touch and the industry will be viewed as shallow, OR advice will be severely restricted due to lack of expertise.

Minimal experiential impact for most users at an advice-by-advice level, as these users implicitly trust the quality of actuarial advice. Although the long-term financial outcomes should be substantially improved by managing climate risks with foresight. There would be significant merit at a professional level, to maintain and safeguard the quality of actuarial advice as a whole. Without action, the credibility of our profession and advice as a whole is at risk.

Making it explicit that systemic issues are taken into account in actuarial work would make it clear to users that actuaries' focus goes beyond narrow client-specific issues. Keeping changes to brief high level statements in the Code, with non-mandatory guidance (Options A and C) would give confidence that actuaries continue to operate on a principles based approach based on an expanded knowledge base. Option D (a new APS) is an important step in improving member knowledge and I support it.

Little

## Question 9

What, if any, impact do you think the proposals (either in Options A, B, C or D, please specify) would have on users of actuarial work and public confidence in actuarial standards??

### Open response (4 of 6)

Limited but still worth doing

It would undermine public confidence if actuaries advise or comment on areas outside their competence. If they are required to make statements they know to be incorrect, it will also undermine the profession's own confidence in itself.

It would decrease credibility. The Actuarial Profession does not have the knowledge/skills/credentials to comment sensibly on climate change. Stakeholders realise that. Forcing members to comment on areas outside of their knowledge/skills is very unwise.

IT would create the appearance we know the answers and eventually lead to reduced confidence.

It would be easier to defend the outcome of the work when explicitly taking into account climate change and manage expectations that this issue will be raised

It will legitimise and cement the importance of this topic in actuarial work. Failing to make this change is likely to undermine the relevance of then profession.

Isio's view is that referencing climate change and sustainability in the actuaries' code is essential to enhance confidence in the competency of the actuarial profession. We believe it is important that actuaries develop their understanding of climate risk and, in turn, support the users of their work to take climate risk and sustainability into account in their decision making and operations.

If we don't speak out in this, we will become irrelevant: transition risk is also something actuaries as a qualification faces.

I think Options B and C together would ensure the actuaries are constantly reminded of the importance of allowing for emerging risks in general, and climate risk in particular, as part of their work.

I would not expect the greenwashing of the actuaries' code to raise public confidence in actuarial standards. The article "Aligning the Code" in The Actuary November 2021 explicitly uses the word "signal" about the proposed alterations to the code. Virtue signalling in the code is likely to diminish public confidence in actuarial standards, at least amongst those who see through greenwashing. It has been a failure of public policy on green issues to legislate for something in advance of the technology existing to deliver the objectives of the legislation. The actuarial profession should not make the same mistake. A better approach to raising public confidence in actuaries could be to foster a program of actuarial research into climate change and sustainability and dissemination of the results of the research through an education program sustained over a number of years.

I think there would be little impact outside of the actuarial profession, as very few non-actuaries are aware of the Code or Standards, and certainly not of the detail. A potential impact is that Actuaries will find it harder to get involved in Climate Change projects, because of the additional regulatory burden they face compared to non-actuaries. Time and resource pressures in many companies mean that the time spent in meeting actuarial regulations is not always valued.

I think that these changes will have no practical impact and are just examples of the Profession green-washing itself and virtue signalling. Signing up to the Green Finance Education Charter is useful and you should restrict your green changes to enhancing the exam process to include green matters and to offer green CPD opportunities to qualified actuaries.

I think it would demonstrate to our members and more widely how seriously we are taking the issue

I think an important step for public confidence - given the heightened interest by the public and policymakers the historically slow response from the financial services and the absence of any formal examination on these issues for the vast majority of practising actuaries.

## Question 9

What, if any, impact do you think the proposals (either in Options A, B, C or D, please specify) would have on users of actuarial work and public confidence in actuarial standards??

### Open response (5 of 6)

I don't think that making changes under option A or B would make any difference to public perception but could lead actuaries to underlay other risks.

I believe that failure to implement one or more of the proposals would damage confidence in actuarial standards in the long term.

Failure to incorporate climate risk would risk the creditability of actuarial work. We expect the amendments to the code would ensure work conducted by actuaries meets the high standards by remaining relevant and consistent with practices carried out by wider financial professions such as capital markets, risk management and corporate governance. This will encourage public confidence, not only in the actuarial profession, but also in the wider financial market.

Encourage consideration of climate-related risks by actuaries. Increase public confidence of actuarial input in this field.

At present the actuarial profession is clearly following others in its approach to Climate Change. This proposal will not change that perception (or reality). At least we will not appear too far behind.

As stated elsewhere in our response, in our view there is a real risk that any of the proposed changes have either a limited or detrimental impact to users of actuarial work. In practical terms, without meaningful guidance on best practice that is relevant to the advice being issued, we believe that the proposals as drafted would risk many actuaries simply adding vague statements to their advice given the broad plausible range of climate outcomes and the broad range of impacts that this might have. So bearing this in mind, we suspect that D would have the largest impact, followed by B and A with C having the smallest impact. A, B and D would force actuaries to be more explicit about climate change. Given the subjectivity of the issues outlined above, coupled with the risk to actuaries of hindsight risk, there may be some users who feel that we are raising broad, subjective issues without adding value. In some cases, presenting extreme outcomes from climate change risks detracting from the core advice. Equally the impact on users and public confidence more broadly don't necessarily work in the same manner or direction. As outlined above, whilst D, B and A will have the largest impact on users we don't think this impact will always be helpful. That said, a more visible and mandatory code may (at least initially) increase public confidence in actuarial standards. However, an element of public confidence will always stem from the overall quality of the advice. Mandating climate change as a factor within actuarial advice, leading to the inclusion of a broad range of information that detracts from the advice being delivered to the user may not ultimately improve the confidence users have in our advice. Regarding Option D in particular, there may well be an argument for the introduction of a new APS or (some other way of providing mandatory guidance such as incorporation of additional guidance in subject specific APS). However, in order to form a definitive view on Option D we would need to understand the proposed content of such guidance.

After brief unwarranted euphoria, a series of high profile lawsuits against actuaries who fail to reflect climate change to the level considered appropriate by the plaintiffs (and before juries sympathetic to the plaintiffs) will demonstrate the utter folly of the adoption of such options and either (a) a requirement to eliminate all such changes triggered by any of the Options or the wholesale bankrupting of every actuary, however much they may have attempted to comply with impossible requirements.

Additional training /CPD requirements

A, B and D would have the biggest impact because all actuaries would be forced to be more explicit about what they are doing about climate change. For those users that are concerned about climate change, this would be welcome and improve public confidence in actuarial standards. However, there will be some users who feel we will be raising issues without adding any value. We need further guidance such as C, which focuses on how actuaries can add value.

## Question 9

What, if any, impact do you think the proposals (either in Options A, B, C or D, please specify) would have on users of actuarial work and public confidence in actuarial standards??

### Open response (6 of 6)

A specific standard could help to achieve the overall aim. I would prefer this to code changes.

- We would hope that the proposals would have limited impact on actuarial work, since in our view the requirement to consider climate change and sustainability, where relevant to our work, is already part of our professional standards. However, we represent a large firm, which means we have greater resources to ensure our colleagues are up to date with new and emerging issues and we are continuing to provide further support around the areas of climate change and sustainability. To reflect that, we consider that a reminder of the 2017 climate change risk alert (which clearly states that “All actuaries should consider how climate - related risks affect the advice they are providing”), together with information on how guidance and regulatory requirements have developed since then and links to the Sustainability Board’s resources (rather than having the link on the Code related guidance), should be sufficient to help those members who need to strengthen their knowledge in this area, and also reinforce the public’s confidence in actuarial standards.
- Users should be able to have confidence that actuarial work allows appropriately for all relevant risks, including climate change. However, as we have noted earlier, by singling out climate change and sustainability and mentioning them specifically in the Code, there is a risk that users misinterpret this, and consider that they are seen as more significant than other risks, or as applying universally to all advice being provided, which may not be the case.

Updated guidance together with a reiteration of the clear messaging in the risk alert that members are already expected to consider these risks (as well as other risks) under the Code, could equally improve public confidence without causing any unintended side-effects.

## Question 10

What are your views on the extent to which these proposals, as a whole, would demonstrate the IFoA's commitment to promoting the public interest in its regulatory role? Are there any aspects that you think have been overlooked? (please specify)

### Open response (1 of 4)

The IFoA would be preaching to the choir with these measures. If it were to get on with revamping its education syllabus (for students in particular) then it would be properly demonstrating its commitment to the GFEC.

We worry that this consultation does the opposite of demonstrating the IFoA's commitment to promoting the public interest given that it has all the hallmarks of being rushed and seeking a quick fix for delivery shortly after the December 2021 deadline. It is disappointing that consultation did not commence earlier given the importance of this topic and that the proposals relate to a commitment made by the IFoA nearly 18 months ago.

We recognize that the IFoA needs to be seen to be doing something but believe that the focus needs to be on practical and effective action, not on signalling. It would be a far better demonstration of commitment to communicate to the public exactly what steps are being taken, eg, actuarial research, education of Members that is sustained over a number of years.

We consider that Option D (a new Actuarial Profession Standard) would be key in the extent to which these proposals demonstrate the IFoA's commitment to promoting the public interest. As noted in our response to question 9 above, there are potential conflicts between the interests of a member's client and the public interest when climate change and sustainability issues are brought into play. The steer given in a new Actuarial Profession Standard on this subject is likely to inform any external views as to the profession's commitment to protecting the public interest.

We believe the emphasis on actuaries delivering clear, high quality advice and expertise in relevant areas is of greater public interest and the proposed changes to the code risk undermining this by placing undue focus on a single area that will be of more limited relevance to some actuarial areas. Specialists in this area offering visible expertise and public comment on climate change will better demonstrate to the public the importance of this topic to the profession and demonstrate we are promoting the public interest.

We believe elevating the importance of climate change and sustainability does show significant commitment. However, this is just one step and action must follow words. Ensuring the IFoA, via its members, is truly acting on climate change and sustainability issues is vital.

This would be a material step forward.

They would help reinforce and demonstrate our commitment to the public interest.

they demonstrate commitment as the society is taking a step towards actions. It's important that the proposals are backed up with simple examples so that the public can understand what the proposals mean

These proposals demonstrate that the IFoA is robustly taking public interest into account. The IFoA should also promote the need to act collectively as a profession and with the users of our work to take account of these risks in decision making and operations.

These proposals and changes would demonstrate strong commitment to the public, that is constantly faced with long-term challenges, such as climate change. The provision to include new and emerging areas would address the uncertainty about other challenges. Think of - among many others - the field of machine learning, regulatory changes to solvency & capital framework ("Solvency II plus" in UK) etc.

These are appropriate steps, noting that my preference is for Option D (a mandatory APS). Any steps should be accompanied with suitable education (both embedding in current syllabus and specific training for practicing Fellows).

There would need to be significant communication outside of the Actuarial Profession, and to be able to demonstrate clear benefits to the public for this to be met.



## Question 10

What are your views on the extent to which these proposals, as a whole, would demonstrate the IFoA's commitment to promoting the public interest in its regulatory role? Are there any aspects that you think have been overlooked? (please specify)

### Open response (2 of 4)

The proposals would be disastrous in demonstrating our commitment to a rational scientific understanding of the world so would undermine our ability to play any public interest role

The IFoA's commitment to promoting the public interest is not demonstrated by virtue signalling. It is demonstrated by practical and effective action. It is in the public interest that actuaries carry out actuarial research into climate change and sustainability and disseminate the results of the research through an education program sustained over a number of years. It is not in the public interest to greenwash the actuaries' code in advance of this being done.

The IFoA has committed to the Professional Bodies Climate Action Charter, and we hope this will lead to greater collaboration across and between professions, helping to raise awareness of actuarial work. We also expect to see greater interdisciplinary collaboration with the broader scientific community (ie similar to interaction on longevity) to ensure IFoA is promoting credible and holistic advice and to support members of the profession to remain progressive. We would also like to see greater visibility of IFoA commitments and collaborations outside the actuarial community, and comms aimed towards non actuaries.

Similar to question 9 I believe a failure to implement one or more of these proposal would negatively impact the IFoA's ability to demonstrate its commitment to promoting the public interest in its regulatory role.

Part of our commitment to the public interest must be having the humility to step back from topics in which we are not the experts.

Not all actuaries work in areas that are affected by climate change and so requiring them all to explicitly consider this could increase costs.

None

Little impact but nevertheless it will be a small positive to demonstrate the importance the IFoA attaches to these issues.

It's a really good step in the right direction. There will be those against it, but this is an absolute necessary change if we're going to remain relevant.

It would lead to the appearance of "we know it all" which is NOT in the public interest. IFoA should be emphasising the uncertainties.

It would help but more could be done to say how we could add value rather than only requiring actuaries to consider it (otherwise it risks becoming a box-ticking exercise). At this stage, we don't feel the requirements on actuaries should be mandatory. For certain practice areas of the profession the issue of climate change and sustainability is far more pressing than others, and therefore we expect, and support, different practice areas of actuarial work moving at different paces to understand and address the issues faced.

It shows that the IFoA is committed to look as though it is promoting a public interest. But I'm afraid it feels quite hollow without a significant education piece and without consideration of how differing personal views about the issue could significantly affect the advice provided, thus bringing the profession into a political debate rather than advising on risk?

It should help with any perception that the profession is promoting the public interest, though it is open to debate to what extent that perception exists. The profession should be stressing the need to consider multiple scenarios in any long term projection, and the difficulty in assessing a central projection given the great uncertainty around Climate Change and Covid issues.

## Question 10

What are your views on the extent to which these proposals, as a whole, would demonstrate the IFoA's commitment to promoting the public interest in its regulatory role? Are there any aspects that you think have been overlooked? (please specify)

### Open response (3 of 4)

It looks like blatant virtue signalling and may get a cheap headline but at the expense of corrupting the Code with specifics on one particular area of risk and no specifics on any other of the multiple areas or risks that actuaries have to take into account every day.

It is telling that the consultation contains no details of how the proposals would demonstrate the IFoA's commitment to promoting the public interest. The additional proposed wording is superfluous and a lot of work that is needed to close any knowledge gap is well underway already. It is not clear to us how these changes, absent more fundamental areas of support and research, will demonstrate any change in commitment. To us, the additional words on a page are not going to lead to any fundamental change given where we are now.

Internal publicity would continue to be needed to ensure members were fully aware of the commitment.

In the IFoA's recent climate-risk report <https://www.actuaries.org.uk/system/files/field/document/Climate-related%20risk%20report%2C%202021.pdf>, a number of barriers were cited including budgetary constraints, materiality concerns and a lack of expertise. None of these are reasons to ignore systemic issues. This raises potential professionalism concerns that the Code (as amended) should address, however Reg Board should ensure the wording of guidance strongly reflects the IFoA's expectation on these issues

I think to further fulfil the IFoA's public interest role we need to become more interested in audit and the opinions expressed about the covenant of the clients we work with, particularly in relation to decarbonisation of their businesses

I think that these proposal are just bandwagon-jumping, green-washing nonsense and we should concentrate our public interest role in things that we are actually qualified to comment on such as the Covid pandemic and long term care funding.

I suppose making this more media visible, preparing comms for members to use as a template to inform their companies that this is new guidance that will be adhered to in their day to day would be helpful

I support this as it demonstrates our commitment and acting in the public interest

I don't think this has anything to do with the public interest. Our public interest commitment is met by actuaries acting professionally. I see no evidence, nor any attempt to gather evidence, that this change will cause actuaries to act more professionally.

I don't think it demonstrates it at all.

Given that climate change and sustainability are, arguably, the greatest public interest issues of our time, we agree that these proposals do demonstrate the IFoA's commitment to promoting the public interest in its regulatory role. However, mandatory requirements (such as Option D) will achieve this somewhat more effectively than non-mandatory guidance.

Actuaries' code is the best place to ensure public interest is being promoted.

Any of the proposals demonstrate the IFoA's commitment to promoting public interest and we believe it is important for the IFoA to demonstrate this.

Changes to the actuaries' code may be more visible than other changes such as additional guidance. However in our view, the best way to demonstrate commitment is not by making small changes to the code. The best way is where changes are made in a meaningful way with supporting guidance on best practice. In general changes should only be made if they would be of benefit to users and lead to better advice, decisions and outcomes rather than forcing actuaries to perform an exercise and incur cost for users as a box ticking exercise.

## Question 10

What are your views on the extent to which these proposals, as a whole, would demonstrate the IFoA's commitment to promoting the public interest in its regulatory role? Are there any aspects that you think have been overlooked? (please specify)

### Open response (4 of 4)

#### 1. The success of the Risk Alert

It is not entirely clear whether the IFoA feels the Risk Alert failed to bring about the necessary behavioural change. Has the IFoA explored all options to bolster awareness of, and compliance with, the Risk Alert? Whilst recognising the systemic nature of climate risk, this consultation sets a worrying precedent. To maintain the integrity of the regulatory framework, the IFoA must not automatically introduce additional mandatory regulation in response to the perceived failure of lower-level regulatory initiatives.

#### 2. Interaction with technical standards and other regulatory tools

A key aspect which seems to have been overlooked is the interaction with other technical standards and, in particular, the Financial Reporting Council's (FRC) position. We believe many actuaries would agree that it is not the ethics of 'why' climate change should be allowed for that is so challenging, but technically 'how' to do it in practice. Clarity over the direction of technical guidance is important.

Climate risk is increasingly addressed directly by other regulatory tools which actuaries must comply with in specific areas of work (as set out in Appendix 3 to the information gathering report). We then have the FRC's Technical Actuarial Standards applying to all technical actuarial work. Whilst the FRC's post-implementation review remains ongoing, arguably well-written principles-based provisions in TAS 100 mean that actuaries are already expected to address climate risk as a 'material risk or uncertainty'.

The IFoA's commitment to the public interest is not served well by duplicative or confusing regulation. Without further information on the FRC's plans for technical standards, there seems to be a material risk of duplication on the topic of climate change.

#### 3. Tackling the educational problem

As noted in our answer to Q7, the 'problem' to be solved here is largely educational rather than regulatory. The consultation talks about a 'knowledge gap' but, other than Option C, the proposals do little to address this. The public interest will be better served by action to remedy this knowledge gap.

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Dismal! It is not in the public interest to demand that actuaries reflect impossible to anticipate changes in climate. One might note that if changes achieved by recent conferences are successful, then actuaries would not need to make changes. BUT few expect the experts at those conferences to be correct, and it may well take a few dozen huge volcanoes around the world to achieve the climate necessary to prevent or reverse global warming. Any requirement for actuaries to appropriately factor in nebulous changes in climate that no expert has accurately predicted is absurd.

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Climate change is now - but this will need to be followed up for attention on Biodiversity and Fairness.

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The IFoA clearly has an important role in ensuring that expectations of members are clear and that this is also clear to the public. However, our view is that this could be achieved through updated guidance and clear public messaging, and by supporting research relevant to the actuarial profession and the development of associated intellectual capital. This would avoid the drawbacks of the suggested changes to the Code.

## Question 11

Is there any further support on climate change and sustainability that you would request for Members?

### Open response (1 of 3)

Recognise that valuable guidance and support needs to be practice-specific.

Yes. We think that you should explore the development of a cross-practice Actuarial Professional Standard on climate change and sustainability. We appreciate that this will take time, but this seems to us to be the most effective way in which climate change and sustainability should be incorporated within your regulatory materials. Ahead of this we have made some suggestions in responding to Questions 1 and 2.

Yes, workshops, seminars & training to share good practice and experience.

Yes - more work on the implications for areas actuaries work on.

We would be keen to see an ongoing programme of reviewing and refreshing the practical guides to ensure they remain current in what is a fast-moving area. We also support the JFAR's decision to form a taskforce to publish a deep dive on the science of climate change.

We encourage the IFoA to include climate change and sustainability in the curriculum and exams.

We believe the key challenges, for members, are twofold: – Ensuring members have at least a minimum understanding of the risks of climate change and sustainability; particularly, how it impacts the work undertaken by the profession. – Information overload: The speed, and volume, of new information that is being released on climate change and sustainability issues (even ESG more broadly) can be overwhelming. Quite simply, the day job is busy enough; yet this is vitally important information! A couple of suggestions to address this are: – Training, to ensure there is at least a minimum level of knowledge. ° We note there are a significant level of resources on the IFoA website. However, sometimes the more information there is the less useful it becomes. We therefore suggest a condensed overview. This must be practical with emphasis placed on why this is important and how it could impact areas of the profession. ° If the IFoA truly wants to show its commitment to appreciating these risks it could incorporate compulsory CPD requirements focused on sustainability. This could be a one off, single year, requirement of, say 5 hours CPD where members must look at these topics. Or, an ongoing requirement of, say, 1 hours CPD as members learn about how the evolving risks should be incorporated into their work. – Release a bulletin, to all members, annually which specifically focuses on key ESG developments and how they impact the profession. This should be concise and targeted – allowing members to read the further resources available if something particularly interests them or is relevant to their area of work.

We believe the following support would be helpful for members:

- Introduction of a professionalism scenario including climate risk
- High quality climate risk training with external support e.g. climate scientists. This training should go further than just explaining the “net zero” concept and look at the impact of climate change, and the ways actuaries can support in the mitigation and adaptation efforts of climate change
- Discussion of the impact of delaying action on climate change and what the effect of a delay may look like

Demonstration and discussion of the issue at the next CPD Co-ordinators meeting

They should throw out of office every IFoA official responsible for the proposed options and vote to adopt a requirement that no changes be made to existing code or other guidance without a clear explanation of reasonable ways members can be expected to comply without incurring ruinous professional liability insurance premiums.

As stated above, this is a broad area where deep expertise is required to advise credibly. Providing further CPD opportunities, practical examples, case studies and emerging best practice is key to ensure that changes to actuarial advice enhance rather than detract from actuarial advice.

## Question 11

Is there any further support on climate change and sustainability that you would request for Members?

### Open response (2 of 3)

There is clearly a difference between addressing climate-related risks and opportunities in work for our clients and acting in the public interest by trying to solve the climate crisis. These are two very different things (although they sometimes overlap, admittedly). Some clarity for members about how far the consideration of the public interest is supposed to take them would be a helpful addition to non-mandatory guidance in this respect. We also believe that members would benefit from further guidance / support on addressing systemic risks (such as climate, biodiversity, inequality, etc.) and help in navigating these in the context of individual situations and discrete pieces of work as well as within the context of the wider pensions, insurance and financial (eco)system.

The removal of the requirement to comments on this risk in advice when it is not relevant or appropriate

The profession should consider plausible future scenarios, including those with extremely poor outcomes. It is important to avoid thinking that some outcomes are so poor that there is no point considering them, as they may be helpful in considering the level of investment appropriate to try to try to mitigate extreme risks.

The climate change and sustainability area under lifelong learning is a good start but needs to develop further, particularly in facilitating individual member research

Specific training (and possibly an additional qualification) for Fellows.

Specific examples and case studies of how climate risk might be incorporated into specific pieces of typical actuarial work so as to give guidance and support to individual actuaries on how to reasonable incorporate into their work. Guidance already exists sometimes more at a corporate level. The guidance and examples should go beyond long lists of things to consider and look at what is practical to deliver and recognise that in some cases it might be appropriate to recognise the existence of climate risks but communicate to the client that no explicit incorporation into the advice has been possible or appropriate.

some education on the practical effects of climate change

Rather than jump straight to regulation, perhaps we should do more to help actuaries translate the general issues of climate change with which we are all familiar, to an understanding of what it means in the specific contexts in which we work

Propose provision of multi-level, educational materials for actuarial members, that are published by the Institute (maybe in co-op with ActEd). Introduce some mandatory, minimum level of knowledge requirement.

Our requests are already mentioned in the consultation paper. In the foreword, Neil Buckley mentions that the GFEC commits its signatories to integrate green finance and sustainability into their core curricula, new qualifications and CPD of their members. We are fully supportive of this process and would be happy to continue to contribute to the IFoA's efforts in relation to our areas of expertise (Pensions, Financial Wellbeing).

One idea is whether there could be some form of standalone qualification that existing Fellows could obtain through study and examination, as has been offered in the past in relation to Enterprise Risk, and Data Science. This would serve as an explicit statement that users of actuarial work could expect to rely on climate change and sustainability issues being appropriately addressed.

Not at this time although something like the Covid19 group reviewing what is out there and providing critical analysis regularly would almost certainly be useful. My concern with this would be making sure there is genuine diversity of perspectives on such a group as they tend to be self-selecting.

No

metric targets: some companies have a carbon intensity measurements (e.g. MSCI) it would be good if the society could publish a benchmark of their target and what they believe companies should work towards

It would be interesting to see CPD opportunities in the sphere of climate change.

## Question 11

Is there any further support on climate change and sustainability that you would request for Members?

### Open response (3 of 3)

It is clear within the consultation paper that the IFOA knows what needs to be done. It is mentioned in 3.2, "to ensure that ... IFOA members have appropriate awareness, knowledge and skills relating to climate and sustainability issues", and the foreword mentions the integration of these issues into "core curricula, new qualifications and CPD."

Investigate the areas the actuaries can add value in this area, rather than getting political

I would welcome regular updates in the IFOA emails. Before the webinar on 11th November, I was unaware of this consultation and unaware of the potential changes to the Code

I have attended numerous CPD events which have been very useful and would appreciate more of these. There is also good info on the website. But let's be sensible about it - this one particular risk of all the risks actuaries need to concern themselves with should not be called out in isolation in the Code while all other risks go unmentioned.

Highlighting the level of uncertainty of projections, especially over the long term

ensuring some proportion of CPD hours are dedicated to the subject, such as 2 to 3 hours of the 15.

Development of climate change credential is encouraging. Ensure curated reading list is maintained / kept up to date.

Continued CPD options on climate change and sustainability.

Absolutely - more learning opportunities.

A certificatable course should be developed for practice certificate holders.

Continuing CPD opportunities and further practical support such as the guides will be essential for members given that this area is still developing. Further case studies that illustrate how allowing for climate change impacted both advice and outcomes in areas such as pension scheme funding would also be useful.

Supporting research on climate change risks that is directly relevant to the core areas in which the actuarial profession operates, together with the development of associated intellectual capital.

## Question 12

If you wish to provide any other feedback not already covered then please do so here:

### Open response (1 of 3)

Well done engaging in this, leading the way and raising the stakes. This is both timely and appropriate. It's disappointing that more of our Fellows have not incorporated climate and sustainability risks from their own initiative and that a 'three line whip' is needed. I suspect that is inevitable in tough competitive commercial environment.

We note that you have not asked for specific comments on Option D (Introduction of a new Actuarial Profession Standard). We are not sure whether this omission was intentional, but we would concede that there may well be an argument for the introduction of mandatory guidance, whether this be in the form of a new APS or in some other form. This appears to us to be a more appropriate way to regulate the requirement for actuaries to have the appropriate level of knowledge and skill in this area, together with the requirement for actuaries to take care when communicating on these issues, than making amendments to the Actuaries' Code. However, in order to form a definitive view on Option D we would need to understand the proposed content of such guidance. Finally, we note the use of the word 'sustainability' throughout the consultation document, seemingly in a very climate-focused way. Since this word is potentially very broad, we suggest that an explanation is included as to what it means in this context, lest it imply something beyond what is intended.

We do have our response in a formatted document, if you'd like a copy please do let me know and I'll provide this to you.

We appreciate the opportunity to participate in this consultation and have sympathy with your desire to embed climate change and sustainability in actuarial thinking and practice. However, we disagree with your favoured Option A as the means to this end and ask that you think again on what mechanisms will best serve the public interest in this area.

We agree the importance of the issue of climate change and sustainability but believe the Actuaries Code should be principles based and so should not be drawing out particular risks. We would strongly support a new Actuarial Professional Standard on Climate Change and would see guidance as a stop-gap solution while this was developed. This approach will also give time for IFoA to decide exactly what it would like actuaries to do.

This is such a high profile and important topic, we suggest mandatory certification or CPD for practising certificate holders should be considered, recognising the skills gap articulated in paragraph 2.19. Otherwise, it is challenging to see how the profession can be comfortable that all actuaries are appropriately including climate change in their work.

The quality of this online feedback survey tool is very poor, with no save option, boxes that don't expand so you can see what you have typed. It has taken me an unnecessary long time and several attempts to complete. Sadly it is what I have come to expect from IFoA administrative services over the last few years.

The Institute used to have a motto "Certum ex Incertis" (certainty from doubt) - most of what actuaries currently calculate follows that rule. The addition of any mandatory reflection of climate change, without the opportunity to agree with a principal that the actuary's work will not be required to reflect climate change (or to otherwise limit the required reflection) changes the motto on its head, requiring actuaries to comply in any form will produce "Uncertainty out of certainty" (It is certain that climate will change, but no expert has yet or is likely to provide any clear guidance on when or how because that all depends on the degree to which major polluting countries speed up, delay, or ignore the climate change they are causing. To make a simple analogy, actuaries can work out reasonable premiums for life insurance policies because they have valid information on age-related mortality. They could not produce reasonable life insurance rates if they had no accurate information on policyholders ages or genders. The lack of essential background information on even short term climate change let alone anything long term (because of the lack of information on what major polluting countries will do) makes it as impossible for actuaries in general to comply with any such requirement as requiring a life insurance actuary to provide rates for a person of unknown age, gender, location, and health.

## Question 12

If you wish to provide any other feedback not already covered then please do so here:

### Open response (2 of 3)

Thank you for providing this consultation among members!

Our strong disagreement with Options A&B should not be interpreted as First Actuarial being sceptical about climate change and sustainability, or a lack of desire to address these issues appropriately with clients. We already do but use our professional judgement to decide how to do so in a way that is proportionate and influences outcomes where material.

We are keen, however, that signals that the actuarial profession are taking the issue seriously are made in an appropriate way, and not in a way which has unintended consequences both for Members, users of actuarial work and the wider public.

As an example of unintended consequences, a further concern we have is that it remains unclear how FRC/ARGA will operate to regulate actuaries. Given the public interest aspect of climate change and sustainability issues, having explicit references in the Actuaries' Code may lead to Members being subject to disciplinary action by FRC/ARGA in a way that was never envisaged by the IFoA Regulatory Board. If it is wise to wait and see what appears in updated TASs before introducing any APS, shouldn't the same argument be made in respect the outcome of the BEIS consultation and changes to the Actuaries' Code?

We carried out an anonymized internal survey using the questions in the consultation (adding a neutral choice for each of the option questions). We had 55 responses, nearly half of our IFoA Membership with significant numbers of both Fellows and Student Members responding. Some key results are as follows:

- 33 disagreed or strongly disagreed that the IFoA should explicitly reference climate change and sustainability in its regulatory and professional requirements (10 neutral, 12 agreed or strongly agreed)
- 39 disagreed or strongly disagreed with Option A 2.2 (8 neutral, 8 agreed or strongly agreed)
- 38 disagreed or strongly disagreed with Option A 6.3 (12 neutral, 5 agreed or strongly agreed)
- 37 disagreed or strongly disagreed with Option B 2.2 (8 neutral, 10 agreed or strongly agreed)
- 37 disagreed or strongly disagreed with Option B 6.3 (10 neutral, 8 agreed or strongly agreed)

So strong opposition to changes to the Actuaries' Code. There was strong support for guidance instead, however:

- 32 agreed or strongly agreed with Option C (16 neutral and 7 disagreed or strongly disagreed) ... with 25 of those strongly agreeing or agreeing with Option C saying it should be instead of changes to the Actuaries' Code.

We did encourage all our Members to feedback individually to the IFoA survey, but could share some of the qualitative feedback provided if it would be helpful to the Regulatory Board.

IAA should work on this area and IFoA should support that.

I would not be in favour of option D as I think it would risk turning this into a tick box exercise rather than genuinely supporting members to take this seriously

Our slight reservation regarding a cross practice APS (option D) is that both the materiality of some of these risks, and the level of understanding and expertise necessary, will vary significantly across different practice areas. Any APS will need to reflect this. The evolving nature of this topic may also present some challenges in ensuring it remains up to date and fit for purpose.

Isio is pleased that the IFOA is taking an active approach to the challenge of climate change and sustainability and is strongly supportive that these challenges should be referenced in actuaries' professional requirements. Isio believes that as experts in their own domain, actuaries should respect and respond to the views and knowledge of climate scientists as experts in their domain.

I strongly disapprove of these flawed proposals that seem more geared towards headlines than the profession acting in the best interests of its members.



## Question 12

If you wish to provide any other feedback not already covered then please do so here:

### Open response (3 of 3)

I believe climate change and sustainability risks should be introduced as early as possible in the IFoA curriculum for qualification. In particular, the IFoA through its accredited universities could encourage the introduction of climate change and sustainability issues to students as part of their studies while at university (either a new module or incorporated into existing modules).

I am very strongly against these changes. I am also unhappy that of the four options given in the consultation paper none were "do nothing". No consultation process is genuine unless it gives the option to remain as the status quo. Please note also that I am not a climate change sceptic by any means - I just believe that actuaries are not best placed to be involved in this - we should leave climate science to the experts just as we would hope that others did not try to encroach into our areas of expertise. We have plenty of issues that we are experts in to get involved with rather than this one.

I accept we must be aware and handle climate and sustainability risk within our work but in so doing we must be careful not to divert our governance away from its intended purpose.

Far more relevant areas to focus on - a) Pandemic mortality issues b) Brexit effects c) Permanence of sub 1% interest rates

Climate Change scenarios to date have tended to be produced in isolation from other forecasts. In determining future scenarios other factors such as demography, technological developments, and the potential value of AI in multiple areas might usefully be considered.

As a Chief Actuary I would be very uncomfortable with being asked to comment on climate change as a part of (for example) my AFR. I don't have sufficient knowledge of the topic and frankly nor does any actuary I know. I would be happy to learn more - but that must come before the regulation. Sadly I suspect this is more about certain people showing that they are "on board" with the latest trends. The practicalities have clearly not been considered.



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