

Institute and Faculty of Actuaries
Regulation Board
Approval Report

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| Subject | Proposals from the Green Finance Education Charter Task and Finish Group |
| Regulation Board meeting | 5 May 2021 |
| Previous Board Steer | <p>17 November 2020:</p> <p>The Board carried out a deep dive on climate change and were provided with an update on the IFoA's plans in relation to green finance and regulation.</p> <p>Including, the work of the Council's Climate-Related Risk Taskforce (CRRT) and the Green Finance Education Charter (GFEC).</p> <p>The Board provided a steer on initial proposals from the GFEC Regulatory Task and Finish Group in relation to potential changes to the IFoA's regulatory framework. The Board asked the group to consider potential changes to the Actuaries' Code and/or an APS.</p> |
| International Issues Considered? | Yes (see para 15) |
| Author | Green Finance Education Charter Task and Finish Group |
| Purpose | Approval |

A: EXECUTIVE SUMMARY

1. This paper provides an update to Regulation Board (the Board) on the work of the Green Finance Education Charter (GFEC) Task and Finish Group (TFG) and seeks approval from the Board on proposals from the TFG for the following changes [redacted]

B: BACKGROUND

2. In September 2020, Council endorsed the CRRT's report on climate-related risks. In brief, the report included 38 recommendations, ranging from immediate actions to longer term goals and overarching principles.
3. The report identified six factors that drive the need for the IFoA to address climate related risk: financial risk, regulatory expectations, signatory commitments, public interest, new member interest and opportunities.
4. Section 6.2 of the report covers the ways that regulation can support these objectives. It considered and made recommendations for consideration by Regulation Board in relation to several elements of the regulatory framework including the Actuaries' Code, professional and technical standards, risk alerts, monitoring, the disciplinary scheme, practising certificates and CPD requirements.

5. The core focus of the GFEC TFG is to address the actions in the recommendation R14 of the report: **The Code, related guidance, and professional standards should be reviewed in the light of the GFEC commitment (update to be completed by December 2021).**
6. As the Board are aware from previous updates, the IFoA is a signatory to the UK Government's GFEC, which is part of its Green Finance Strategy, focused on aligning private sector financial flows with clean, environmentally sustainable and resilient growth. The GFEC includes some specific commitments relevant to the IFoA's public interest regulatory role and the TFG has been established to support the Board in meeting Charter Commitment 4:

| | Description | Deadline |
|-----------------------------|--|------------------|
| Charter Commitment 4 | Undertake a review of professional Codes of Conduct, and related guidance, and update or augment these to reflect green and sustainable finance principles | By December 2021 |
| Charter Commitment 5 | Undertake a review of our programmes of initial and continuing professional development to ascertain existing coverage of and the opportunities for encompassing green finance | By December 2021 |
| Charter Commitment 6 | Mainstream the principles and practice of green finance into our programmes of initial and continuing professional development (as relevant) | By December 2023 |

7. The significance of this issue is demonstrated by the UK Chancellor recently sending 'remit' letters to the UK financial regulators, asking that they take into account the UK government's commitment to transition to a net zero economy by 2050.

C: WHAT OPTIONS WERE CONSIDERED BY THE TFG?

8. The Board were previously advised of a number of options from the TFG at the November 2020 meeting, in terms of ensuring the IFoA meets its commitments under the GFEC.
9. The options presented to the Board in November included:
 - a. Amending the Actuaries' Code to include either:
 - o an additional, high-level, principle requiring Members to have regard to systematic risks relating to climate change and sustainability when carrying out actuarial work, with amplification(s) around articulating those risks to users (or a broader principle requirement Members to have regard to systemic risks generally with more specific amplification(s) relating to the behaviours expected of Members in relation to climate change and sustainability); or
 - o an additional amplification under the 'Competence and Care' or 'Communication' principles to include a specific requirement for Members to consider and make users aware of the systematic impacts of their work in relation to climate change and sustainability.

- b. The development of a cross practice Actuarial Profession Standard (“APS”) to cover areas relating to climate and sustainability risk where there should be mandatory requirements but those seem too specific for a high level Code of general application. For example, some specific provisions around communicating climate-related risks to users.

No changes to the Code or new professional standards but development of non-mandatory guidance on climate and sustainability issues as they relate to actuaries. This could be integrated within the existing Code guidance or developed as a separate, stand-alone, piece.

D: WHAT IS THE TFG’s PROPOSAL AND WHAT IS THE RATIONALE FOR THIS PROPOSAL?

10. [redacted]

Actuarial Profession Standard

11. The TFG have had discussions around the potential development of a cross practice Actuarial Profession Standard (“APS”) to cover areas relating to climate and sustainability risk. This would build on and support the wording agreed in the Code.
12. As some of the potential requirements in this area blur into ‘ethical’ and ‘technical’ standard setting, the TFG have sought a meeting with the Financial Reporting Council (FRC) to discuss their thoughts in this area and future plans. The current FRC ‘call for evidence’ on the Technical Actuarial Standards is also highly relevant as we understand they may have plans for a climate related or sustainability TAS. We will update the Board on our conversations with the FRC in this area as appropriate.

E: WHAT ARE THE NEXT STEPS?

13. The proposed changes require a full member and public consultation of around 2-3 months. If the proposals are approved by the Board to proceed to consultation, the TFG will provide an advance copy of the consultation document to the Board for approval. Post-consultation, the TFG will consider all feedback provided and advise the Board of its final recommendations.

F: CONCLUSION

14. The Board are asked to:
 - a. provide comments on the proposal; and
 - b. approve, subject to these comments, that the draft amendments to the Code and accompanying guidance goes out to consultation.

G: Appendices

Appendix 1: Actuaries’ Code proposals

Appendix 2: Accompanying Code guidance proposals

Appendix 3: Further IFoA Sustainability Board resources

