



Institute  
and Faculty  
of Actuaries

# Consultation:

Proposals for changes to the Regulatory  
Framework on Climate Change and Sustainability

By Regulatory Board

September 2021

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# 1. Foreword

## Neil Buckley, Chair of Regulatory Board



I am pleased to introduce this consultation from the Institute and Faculty of Actuaries on proposals for changes to the

regulatory framework on climate change and sustainability.

It is increasingly obvious that climate change and sustainability will be among the biggest themes for governments and businesses over the next few decades.

The Covid-19 pandemic has reminded us all that we are intimately connected with and influenced by our environment, and has provided a foretaste of the scale of the risks that can crystallise when things go wrong. Actuaries must embrace this challenge, and be seen to be embracing this challenge.

Climate change presents risks that actuaries must be able to handle in their work, opportunities that we can take advantage of, and threats to the profession's credibility, viability and even its licence to operate.

The IFoA has recognised these needs by signing the Green Finance Education Charter (GFEC)

which was announced in the UK's Green Finance Strategy in 2019. The charter aims to mainstream green finance knowledge and skills throughout the banking, finance and professional services sectors, and commits its signatories to integrate green finance and sustainability into their core curricula, new qualifications, and the continued professional development of their members. More specifically, the charter commits its signatories to reviewing and, if necessary updating or augmenting, professional Codes of Conduct, and related guidance, to reflect green and sustainable finance principles.

This consultation sets out, for feedback, some proposed approaches that we are considering in relation to its charter commitments and our regulatory framework, including the Actuaries' Code. The aim is that these proposals will benefit our members and support them to ensure they are aware of and equipped to deal with their professional responsibilities related to climate change and sustainability issues.

It is hoped that, with your input and suggestions, this will help us to agree effective and meaningful changes.

I would encourage all of our members, employers, users of actuarial work and others with an interest in this important topic to respond to this consultation.

## 2. Background and rationale

### IFoA's commitment on climate related risk

- 2.1** We issued a Risk Alert on climate-related risks on 23 November 2017. This stated that: *'Actuaries should ensure that they understand, and are clear in communicating, the extent to which they have taken account of climate-related risks in any relevant decisions, calculations or advice.'*
- 2.2** This risk alert noted that there is an increasing body of evidence demonstrating that climate-related issues represent a material risk to the future economic stability affecting environmental, societal and governance matters. It further states that all actuaries should consider how climate related risks affect the advice that they are providing.
- 2.3** Following the risk alert, our Sustainability Board developed a number of practical guides to support members and we also became a network supporter of the TCFD and other organisations with similar focus including the UN Principles for Responsible Investment and the UN Principles for Sustainable Insurance.
- 2.4** In September 2020, our Council endorsed the findings of a Climate-Related Risk Taskforce report. This report set out that a core goal for the IFoA is that climate risk is understood and considered by our members, in the same way as other risks such as interest rate and mortality risk.
- 2.5** This report identified six factors that drive the need for us to address climate related risk; financial risk, regulatory expectations, signatory commitments, public interest, new member interest and opportunities. The report recommended in particular, that the Actuaries' Code, related guidance, and professional standards be reviewed in light of our commitments under the Green Finance Education Charter (as described below).
- 2.6** The Joint Forum on Actuarial Regulation (JFAR) in its 2020/2021 Risk Perspective, which is intended to raise awareness of the risks to high quality actuarial work in mitigating the risks to the public interest, identified climate related risk as a key risk for the actuarial profession.<sup>1</sup>

- 2.7** The Risk Perspective identified climate related risk as potentially the *'defining risk of our times'* and that actuaries have an important role to play in assisting others to consider, address and mitigate the worst effects of climate change.
- 2.8** Our co-regulators, including the UK's Prudential Regulation Authority (PRA), Financial Conduct Authority and the Pensions Regulator, have all taken steps in this area and are aligned with our climate risk commitments. The PRA published a policy statement 11/19 (PS 11/19) on enhancing banks' and insurers' approaches to managing the financial risks from climate change in April 2019. They set out expectations on how firms should incorporate financial risks from climate change into risk management and develop approaches to disclose financial risks from climate change.
- 2.9** In April 2021, the UK Chancellor of the Exchequer wrote to UK regulators requiring them to "have regard" to climate change issues and the UK commitment to Net Zero greenhouse gas emissions. This reflects an ongoing, potentially increasing, focus for policymakers and regulators.
- 2.10** The latest UK HMT response to Call for Evidence for Solvency II<sup>2</sup> refers to "Climate Change" sixteen times. This includes references to consistency with the government's climate change objectives, the management of risks, the PRA's regulatory focus, the provision of long-term capital, and disclosures.

### Green Finance Education Charter

- 2.11** We became a signatory to the Green Finance Education Charter (the Charter) in July 2020. We were joined in signing the Charter with eleven other professional bodies in the financial sector.<sup>3</sup>
- 2.12** The Charter was developed by the UK Department of Business, Energy and Industrial Strategy (BEIS), HM Treasury and the Green Finance Institute, and was announced in the UK's Green Finance Strategy<sup>4</sup> in July 2019.
- 2.13** We signed up to the Charter as a tool for focusing collaboration between government and industry and as it is a significant commitment from Chartered and

<sup>1</sup> <https://www.frc.org.uk/getattachment/68762d12-5547-4d9b-a6a4-dbe4a1aacc4a/JFAR-Risk-Perspective-2021.pdf>

<sup>2</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/998396/Solvency\\_II\\_Call\\_for\\_Evidence\\_Response.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/998396/Solvency_II_Call_for_Evidence_Response.pdf)

<sup>3</sup> <https://www.actuaries.org.uk/news-and-insights/news/ifo-signs-green-finance-education-charter>

<sup>4</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/820284/190716\\_BEIS\\_Green\\_Finance\\_Strategy\\_Accessible\\_Final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/820284/190716_BEIS_Green_Finance_Strategy_Accessible_Final.pdf)

professional bodies in the UK and internationally to integrate green finance and sustainability into their core curricula, new qualifications, and the continued professional development of our members.<sup>5</sup>

**2.14** Signatories to the charter acknowledge that we recognise the global challenge of climate change as a defining issue of our time and that we have a 'strategic, commercial and moral imperative to develop clean, resilient and prosperous economies that work for all'.

**2.15** The Charter includes some specific commitments relevant for our public interest regulatory role. These include a commitment to undertake a review of professional Codes of Conduct and related guidance, and to update or augment these to reflect green and sustainable finance principles, by December 2021.

**2.16** As a result of the Charter commitments, the IFoA Regulatory Board established a Green Finance Regulatory Task and Finish Group to review and develop proposals for the IFoA's regulatory framework, including the Actuaries' Code and/or new standards/guidance.

## What do the proposals aim to achieve?

**2.17** We recognise that this is a significant and crucial area of consideration for all IFoA members that will only grow further in importance. Climate change and sustainability risks are growing systemic risks that are broader than some other traditional 'actuarial risks'. There is not only the impact of sustainability risks on actuarial work, but also the potential collective impact of actuarial work on these risks.

**2.18** We further recognise the importance of providing confidence to broader stakeholders that the profession acts in the public interest. This is particularly important in the area of climate change and sustainability risks which is an area of high public concern and policymaker interest where there is a perception that the financial service sector is not sufficiently engaged.

**2.19** The Task and Finish Group's work indicates that there may be a knowledge gap in terms of actuaries' awareness of climate change and sustainability issues. Given the public interest, this is an important area to address from both a competency perspective and for the profession's reputation. We are committed to supporting members in their efforts to understand, integrate and articulate these issues. As a practical matter, we seek to increase member

awareness of the resources that are available to them and actively support their continued professional and career development.

**2.20** We are mindful of the need to ensure that regulation is proportionate, consistent, transparent and targeted. As a result, we set standards in a way that is principles-based and outcomes focused, with an emphasis on resolving the actual cause of public interest concern.

**2.21** We seek to ensure that current and future actuaries have appropriate awareness, knowledge and skills relating to climate and sustainability issues and that this is embedded into their actuarial work, thereby providing more value and benefit to users of actuarial work, who are increasingly demanding these skills.

**2.22** The aim of the proposals is to also make clear the expectations of members, following on from the 2017 Risk Alert on climate-related issues. This set out a clear expectation that actuaries should ensure that they understand, and are clear in communicating, the extent to which they have taken account of climate-related risks.

**2.23** We welcome your views on the proposed options below and the feedback we receive during this consultation will inform any changes in this area to the regulatory framework.

## THE PROPOSED OPTIONS

**2.25** We are considering, for feedback, a number of options to achieve the aims set out above:

**A: Amendment to the Actuaries' Code**

**B: Alternative amendment to the Actuaries' Code**

**C: Introduction of specific guidance to accompany the Code**

**D: Introduction of a new Actuarial Profession Standard**

### A. Amendment to the Actuaries' Code

**2.26** The Actuaries' Code<sup>6</sup> (the Code) is the overarching ethical code of the IFoA which is a fundamental tool

<sup>5</sup> <https://www.actuaries.org.uk/news-and-insights/news/ifoas-signs-green-finance-education-charter>

<sup>6</sup> <https://www.actuaries.org.uk/system/files/field/document/Revised%20Actuaries%27%20Code%20FINAL.pdf>



in helping to achieve and maintain the professionalism and reputation of members.

2.27 A proposal being considered for feedback is to amend the Code requirements under the amplifications of two of the Code's Principles, namely: Competence and Care, and Communication.

### Competence and Care Principle

2.28 It is proposed that the following changes to the wording of amplification 2.1 of the Competence and Care Principle are made (changes are set out in bold italics):

#### 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 climate change and sustainability***

### Communication Principle

2.29 It is proposed that the following changes to the wording of amplification 6.1 of the Communication Principle are made (changes are set out in bold italics):

#### 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 on climate change and sustainability.***

### Rationale

This additional wording to the Code would, given its importance as the cornerstone of the IFoA's public interest and regulatory framework, reflect the priority we place in focusing on this issue.

It could be a proportionate and consistent regulatory response to the public interest concern, which would clearly demonstrate our expectation of members to ensure that they have both the appropriate level of knowledge and skill in this area, as well as taking care when communicating on these issues, where relevant.

As mentioned above, this is consistent with and reflects the expectations contained within the 2017 risk alert that actuaries should ensure that they

understand, and are clear in communicating, the extent to which they have taken account of climate-related risks.

While the current wording of the existing principles already include these expectations, where they are relevant, including this additional proposed wording would make the regulatory expectations more transparent in particular to non-members who seek to have confidence in actuarial work and standards.

## B. Alternative Amendment to the Actuaries' Code

2.30 An alternative proposal being considered, for feedback, is to extend the requirements within the same two principles of the Code, to include 'new and emerging risks'.

The proposed additional wording to both principles is set out in bold italics below:

### Competence and Care Principle

#### 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 climate change, sustainability and new and emerging areas.***

### Communication Principle

#### 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 on climate change, sustainability and new and emerging areas.***

### Rationale

This proposed wording could help to further address potential knowledge gaps and help members, and the IFoA, to manage future risks posed by new and emerging areas and to support the competency of all members.

The proposed wording at amplification 6.3 in particular would encourage members to carefully consider appropriate communications, when they are

involved in or responsible for, communicating on new and emerging areas. This is particularly relevant where users of actuarial work and the public may not be as familiar with the subject matter.

## C. Introduction of specific guidance to accompany the Code

**2.31** A further proposal that we are considering, for feedback, is to produce additional non-mandatory guidance in order to support members in the application of the Code to matters relating to sustainability and climate change. This guidance would be added to the existing accompanying guide to the Code.<sup>7</sup>

**2.32** This could be in addition to the proposed changes above to the Code itself or be guidance that builds on the existing principles of the Code, clarifying how those are expected to apply in sustainability and climate change matters.

**2.33** An illustrative example of guidance is provided in **Appendix A**. The aim of non-mandatory guidance is to support members with suggestions on further considerations which may be helpful for their work, as well as direct them to additional IFoA resources on sustainability, such as practical guides to help develop their understanding of these issues. Following this guidance would also help members demonstrate that they have complied with the principles outlined in the Code.

## D. Introduction of a new Actuarial Professional Standard

**2.34** We are considering the possibility of developing a new specific Actuarial Professional Standards (APS) on climate change and sustainability. An APS would be a mandatory, cross-practice standard for all our members which imposes specific mandatory ethical professional requirements in relation to considerations around climate change and sustainability, which build on the high level principles of the Code.

**2.35** A possible APS could sit alongside any potential updates to the UK's Financial Reporting Council (FRC) Technical Actuarial Standards (TASs) which are currently under review by the FRC. The possibility of any new APS will be considered once this review is complete and will also take into account all of the feedback from this consultation.

**2.36** This consultation also asks for members' views on further regulatory support they would like to see, either in the guidance or more generally.

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<sup>7</sup>[https://www.actuaries.org.uk/system/files/field/document/2019\\_04\\_05%20Guidance%20FINAL\\_0.pdf](https://www.actuaries.org.uk/system/files/field/document/2019_04_05%20Guidance%20FINAL_0.pdf)

## 3. Regulatory Impact Assessment

**3.1** All of the proposed options being considered for feedback would impact all members of the IFoA, as it is a cross-practice, international issue.

**3.2** The aim of the proposals is to ensure that current and future IFoA members have appropriate awareness, knowledge and skills relating to climate and sustainability issues and that this is embedded into their actuarial work, thereby providing more value and benefit to users of actuarial work.

**3.3** The aim is to ensure proportionate, consistent, transparent and targeted regulation, in a way that is principles-based and outcomes focused.

**3.4** The proposals also aim to provide more value to members by directing them to more relevant learning tools and Continued Professional Development material in this area which will be valuable to their professional and career development.

### **3.5 A: Amendment to the Actuaries' Code**

The proposals within Option A provide a clear and transparent expectation that actuaries should ensure that they understand, and are clear in communicating, the extent to which they have taken account of climate change and sustainability-related issues. The proposed wording would not make a material difference to the regulatory expectations already set for members within the existing wording of the Code.

### **3.6 B: Alternative amendment to the Actuaries' Code**

This proposal helps to further address potential knowledge gaps and helps members, and the

profession, to manage the future risks posed by new and emerging areas (such as climate change and sustainability), which supports the competency of all members. This would be a significant change and addition to the Code, with these requirements applying to all new and emerging risks that may exist, or arise, from time to time, without specifically identifying them. It is a reasonable expectation this would have a material impact on all members.

### **3.7 C: Introduction of specific guidance to accompany the Code**

Additional non-mandatory guidance will provide suggestions for members on further considerations which may be helpful for their work, as well as directing them to further helpful IFoA resources on sustainability, as well as practical guides to help develop their understanding of these issues. The expectation is that this would have little direct impact on members, as guidance is non-mandatory. However, it would provide a useful resource tool for members as well as guidance on ways to comply with the code.

### **3.8 D: Introduction of a new Actuarial Profession Standard**

A new cross-practice APS on climate change and sustainability professional responsibilities would place an additional mandatory standard on all members.

If we were to consider this option in future, a consultation would be issued on a draft APS as well as further detail on the overall regulatory impact.



## 4. Support for members

- 4.1 We are committed to reviewing our regulatory framework to ensure it appropriately reflects climate change and sustainability issues. We hope that the proposals described above will help to recognise the importance of these issues both internally to our members and externally to those who rely on actuarial work.
- 4.2 We recognise that climate change and sustainability issues are a rapidly evolving area and there are a range of other IFoA initiatives and work being carried out to support our members as the understanding, tools and techniques develop.
- 4.3 There are a range of resources that have already been developed for members within the IFoA to further support them on this journey (outlined in Section 8). This includes the 'climate change curated library'<sup>8</sup> as well as tools to support member's reflective practice discussions as part of their CPD and additions to the lifelong learning offering.
- 4.4 We are also interested in understanding what further resources or regulatory support members would like to receive. We look forward to hearing feedback from members as part of this consultation.

## 5. How to respond to this consultation

The deadline for responses is **2 December 2021**.

Responses should be provided through the online questionnaire found on the IFoA's website at <http://www.actuaries.org.uk/regulation/pages/consultations-and-discussion-papers>.

We would strongly encourage responses via the online questionnaire. However, if there are reasons that you cannot complete it online you can provide a response to [regulation@actuaries.org.uk](mailto:regulation@actuaries.org.uk).

Please mark any emails with the clear reference '**Climate Change Consultation**'. Please also try to

answer the questions as set out in the online questionnaire.

Please also indicate whether you wish any of the information you supply in your response to be treated confidentially. Unless you so indicate, we may make responses to this consultation paper available on our website at [www.actuaries.org.uk](http://www.actuaries.org.uk).

Once the consultation has closed, the IFoA will reflect upon the feedback and publish more specific details of any changes. There will also be a period allowed before the changes come into effect so that those affected can take steps to ensure they are able to comply with the new requirements.

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<sup>8</sup> <https://www.actuaries.org.uk/learn-and-develop/lifelong-learning/sustainability-and-lifelong-learning/climate-change-curated-library>

## 6. Consultation

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		Disagree	
Agree		Strongly Disagree	

Please provide any reasons or further explanation for your response here:

2. **Option A: Amendment to the Actuaries' Code**

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 above?

Strongly Agree		Disagree	
Agree		Strongly Disagree	

Please provide any reasons or further explanation for your response here, in particular if you have responded disagree or strongly disagree please explain why:

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 above?

Strongly Agree		Disagree	
Agree		Strongly Disagree	

Please provide any reasons or further explanation for your response here, in particular if you have responded disagree or strongly disagree please explain why:

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**4. Option B: Alternative amendment to the Actuaries' Code**

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 above?

Strongly Agree		Disagree	
Agree		Strongly Disagree	

Please provide any reasons or further explanation for your response here, in particular if you have responded disagree or strongly disagree please explain why:

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**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 above?**

Strongly Agree		Disagree	
Agree		Strongly Disagree	

Please provide any reasons or further explanation for your response here, in particular if you have responded disagree or strongly disagree please explain why:

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**6. Option C: Introduction of specific guidance to accompany the Code**

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?

Strongly Agree		Disagree	
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Agree		Strongly Disagree	
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7. If you Strongly Agree or Agree with question 6, do you think that such guidance should be

In addition to changes to the Actuaries' Code	
Instead of changes to the Actuaries' Code	

Please provide any reasons or further explanation for your response here:

8. Are there additional areas of non-mandatory guidance you would like to see on climate change and sustainability?

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?

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)

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

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





# 7. Questionnaire

## 1. Personal information

Name:	
Position:	

## 2. Region

UK		India	
Republic of Ireland		Asia - other	
Rest of Europe		Canada	
South Africa		USA	
Africa - other		South or Central America	
South East Asia		Australia	
Hong Kong		Oceania - other	
China			

## 3. Are you a Member of the IFoA?

Yes		No	
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## 4. If yes, which category of Membership do you hold?

Affiliate		Honorary Fellow	
Associate		Retired	
Certified Actuarial Analyst		Student	
Fellow		Student Actuarial Analyst	

## 5. If you are an actuary, what is your main practice area? (Answer one option only)

Life Assurance		Enterprise Risk Management	
General Insurance		Health and Care	
Pensions		Resource and Environment	
Finance and Investment		Other	

6. Do you want your name to remain confidential?

Yes		No	
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7. Do you want your comments to remain confidential?

Yes		No	
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8. About your organisation (if applicable)

Name:	
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9. Type of organisation (Answer one option only)

Actuarial consultancy		Public body or Regulator	
Insurance company or reinsurer		Educational Establishment	
Bank or Building Society		Not applicable	
Investment Firm		Other	

If other, please comment:

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10. How many IFoA members (if any) does your organisation employ?

None		101+ members	
2-10		Sole practitioner	
11-50		Don't know	
51-100		Not applicable	

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

Yes		No	
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12. Do these comments represent your own personal views or your organisation's views?

Personal views		Organisation's views	
Both personal views and organisation's views			



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## 4. PRINCIPLE 2 – COMPETENCE AND CARE

### The general duty to act with competence and care

- 4.1 Members have a duty to ensure that they are competent to perform services in their area(s) of expertise. This is reflected in the second principle of the Code, which states:

*“Members must carry out work competently and with care.”*

- 4.2 Due to the specialist nature of the work of actuaries, and the reliance that clients or other users of their work place on their professional status, it can be difficult for non-Members to know whether a Member is competent to carry out the work they are performing. This often means placing a great deal of trust in the Member. Thus, a Member who performs a piece of work that he or she is not competent to perform would be failing in an important responsibility and betraying the trust of users and the public.

### Attaining professional competence

- 4.3 Professional competence has two stages, the first being the attainment of professional competence, and the second being the maintenance of that professional competence.
- 4.4 The attainment of professional competence will necessarily depend on matters such as educational qualifications, practical training and experience.

### Maintaining professional competence

- 4.5 The maintenance of professional competence relies on the Member taking certain steps to ensure they continue to develop their knowledge and skills in order to be able to continue carrying out their work to a satisfactory standard, for example through compliance with Continuing Professional Development (CPD) requirements.

### Acting with competence and care

- 4.6 Generally, acting with competence and care will involve such things as:
- ensuring that work is carried out accurately, in line with instructions and to any agreed deadlines;
  - obtaining additional advice or training where a Member considers that it is required;
  - ensuring that adequate time is set aside to carry out a piece of work;
  - keeping users updated on the progress of the work as appropriate, including letting them know when there may be a problem meeting deadlines;
  - ensuring that work has been subject to an appropriate level of review; and
  - communicating to users any limitations in the service that is being provided, as well as whether it is necessary to instruct any other professionals or experts in relation to the piece of work.



- 4.7 Competence can be achieved at any stage of a Member's career. For more experienced Members, acting with competence and care may involve ensuring that work is delegated to appropriately competent and experienced individuals and that the work delegated is ultimately performed to a satisfactory standard. For less experienced Members, acting with competence and care is likely to involve acting under the supervision of another Member who is taking professional responsibility for the work that is being carried out and ensuring that relevant advice and training is sought where they feel they do not have the necessary knowledge and skill to carry out the task being asked of them.
- 4.8 Acting with competence and care does not mean that a Member is prevented from branching out into new areas of practice. Members are encouraged to widen their professional knowledge and develop experience in new fields. In pursuing new areas of work, Members will be expected to ensure that they have the appropriate level of knowledge and training or are acting under the supervision of a suitably experienced individual. The onus is on the individual Member to determine what is appropriate in each case.

#### **Competence and care in non-actuarial roles**

- 4.9 Members are also expected to act with competence and care when carrying out non-actuarial roles (for example honorary, volunteer or business roles), where their conduct could reasonably be considered to reflect on the profession.

#### **Acting with relevant knowledge and skill**

- 4.10 The first amplification under the 'Competence and Care' principle provides that:

*"Members must ensure they have an appropriate level of relevant knowledge and skill to carry out a piece of work."*

- 4.11 This amplification is designed to prevent Members from acting outside the boundaries of their competence. This is because users and the public trust Members to be competent to perform the services they are engaged to perform.

#### **When you do not have an appropriate level of knowledge and skill**

- 4.12 If a Member decides that they do not have an appropriate level of knowledge and skill to carry out a piece of work, they will need to consider whether this can be resolved, for example by working as a team with a more experienced individual, or by obtaining further training, or whether the most appropriate course of action would be to inform the user that they are unable to take on the piece of work and recommend that the user instructs a more experienced or more suitably qualified person.
- 4.13 It is important Members are honest with users about the level of expertise and experience that they have.

#### **What constitutes an appropriate level of knowledge and skill?**

- 4.14 What constitutes an "appropriate level of relevant knowledge and skill" will depend on the nature and scope of the instruction. An actuarial student, for example, would not necessarily be expected to be able to carry out a piece of work that would normally be carried out by a Fellow.

### **Climate change and sustainability**

- 4.15 Climate change and sustainability is a fast developing area of knowledge and expertise. New and emerging areas around this include the risks, opportunities and impacts that can occur from changes to the environment and society. Members will be able to identify if further support is required with their work on issues related to this, by ensuring they have an appropriate level of relevant knowledge.<sup>1</sup>
- 4.16 For further support, Members may wish to utilise the sustainability resources and practical guides available on the IFoA website<sup>2</sup> to develop their understanding of these issues and should consider whether to include a specific focus on this within their CPD reflective practice discussions.

### **Developing knowledge and skills and compliance with CPD requirements**

- 4.17 The maintenance of professional competence requires a commitment to CPD and an ongoing awareness and understanding of relevant technical, professional and business developments. It is not enough simply to achieve competence and then do no further training. In order to maintain competence, Members are expected to keep abreast of any developments affecting their particular practice area as well as anything which has the potential to directly or indirectly impact the interests of users for which a Member carries out work. An example of this would be developments in approaches to risk management and application of new modelling techniques.
- 4.18 Members have a duty to keep their competence up to date through CPD. CPD is learning that is relevant to a Member's work or role and addresses a personal development need. The IFoA operates a mandatory CPD scheme, and it is the responsibility of individual Members to ensure that they comply with the requirements set by the IFoA. These are a mandatory minimum requirement, and Members are expected to consider whether, in order to carry out their work, they need to undertake additional CPD.
- 4.19 The CPD that a Member is required to carry out is set out in the IFoA's CPD Scheme and is dependent on the category of membership held by an individual. It is up to individual Members to take responsibility for ensuring that any CPD undertaken is relevant to the nature of their work and addresses a personal development need.
- 4.20 Further information about the IFoA's CPD Scheme can be found on the IFoA's website.<sup>3</sup>

### **Ensuring that work is appropriate to the needs and instructions of users**

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<sup>1</sup> Members may wish to consider the concept of 'sustainable finance' and how their work does or does not align with this including Article 2.1c of the Paris Agreement and the UN Sustainable Development Goals and collaborating with other professionals. The knowledge of concepts such as 'Universal Ownership' can help Members consider the potential alignment to sustainable finance with improvements for society and the environment in the long term.

<sup>2</sup> [link to sustainability board's webpage with additional resources]

<sup>3</sup> <https://www.actuaries.org.uk/learn-and-develop/continuing-professional-development-cpd-and-professional-skills-training>

4.21 Amplification 2.3 provides that:

*“Members must ensure their work is appropriate to the needs and, where applicable, instructions of user(s)”.*

4.22 To be able to meet this requirement, Members are expected, as a starting point, to ensure they have a clear understanding of the scope and intended purpose of the proposed work before taking on an instruction or carrying out a piece of work. This applies regardless of the environment in which Members work. It is as important to have sufficient clarity on the scope of work, whether users are within a Member’s employer organisation, external clients of a consultancy firm or other types of user.

#### **Taking reasonable steps to understand user needs**

4.23 In certain situations, the user’s needs may not be apparent. Where this is the case, Members are expected to take reasonable steps to gain an understanding of the user’s needs in order to ensure they are able to comply with the requirements in amplification 2.3. Taking reasonable steps in this context may mean speaking to the user directly to determine the purpose of the actuarial services that have been instructed. In situations where it is not appropriate for the Member to contact the user directly, this may involve speaking to a colleague or manager or whoever it is that is ultimately responsible for the piece of work being carried out.

4.24 Where a Member is carrying out a piece of work under the instruction of another Member as part of a larger project, they are expected, as appropriate, to discuss at an early stage the scope and intended purpose of the proposed work with that Member to agree who ought to be regarded as the user and ensure sure they understand how the work they are contributing fits into the larger project.

#### **When user instructions do not accord with user needs**

4.25 In certain situations, a user’s instructions might not accord with the user’s needs. Members will need to use their judgment in determining whether a user’s instructions have the potential to result in adverse consequences for the user, or for others, and communicate any such concerns to the user before deciding whether they are able to accept an instruction. This applies both to actuaries working in a consulting environment with an external client and to those working for a user within their own organisation.

#### **When user instructions conflict with user needs**

4.26 Members will need to ensure that they do not accept instructions from a user where the instructions are in direct conflict with the user’s needs. For example, a Member would be expected to refuse an instruction from a user to dis-apply the requirements of the FRC’s TASs to a particular piece of UK work, or an instruction to ignore the requirements of a local financial services regulator. That would also be supported by the compliance principle under the Code.

#### **Costs**

4.27 Cost will often be an important issue for users and can often drive the scope of the work actuaries are engaged to perform. In circumstances where cost is a particular issue, this can be addressed by ensuring that the basis of remuneration in respect of the agreed scope of work

is agreed with users before commencing an appointment or instruction. This is particularly key when users are charged directly for a piece of work (rather than the work being carried out as part of an employed role). If there is an arrangement for remuneration which is more 'open ended' then keeping users regularly informed as to costs will be important. Open communication with users about the basis for remuneration for professional work is key to ensuring the ongoing trust between the user and the Member.

- 4.28 It is important, however, that issues of cost and a limited budget are not allowed to prevent a Member from complying with the Code's requirements relating to competence and care. Fee structures are not an excuse to provide incomplete or unbalanced advice. Once the scope of work is agreed, a Member must carry it out competently and with care. This may lead to situations where a Member has to refuse to carry out a piece of work (if they are unable to do so while still complying with the Code).
- 4.29 In addition to agreeing the basis for remuneration with users before commencing an appointment or instruction, it is also important that users are made aware of any issues at the outset which may impact on a Member's ability to deliver the work that they have been instructed to carry out within any agreed time scales. This includes any limitations to the availability or expertise of internal resources (especially where a Member is working in an in-house setting) or any adverse cost implications associated with a piece of work.
- 4.30 Often, during the course of an appointment or instruction, the scope of a piece of work can change; a project might suffer setbacks and be delayed, or additional work might be required that was not originally anticipated. Members are encouraged, therefore, to ensure that any agreements for remuneration are kept under review and that they are prepared to communicate to users at the earliest opportunity any material change to the scope of an existing appointment or instruction.

#### **Obtaining input from other professionals or specialists**

- 4.31 From time to time Members may need to take advice or seek information from other professionals (both actuaries and non-actuaries) and/or experts who may have particular expertise in an area which might be required for a piece of work, and which the Member might not be qualified to advise on. Members will need to consider whether taking advice is necessary and appropriate; good practice probably entails taking advice when in doubt about this.
- 4.32 In such circumstances, Members might use their actuarial skills to instruct such professionals, either to advise the Member directly or to commission supplementary work that is needed by the ultimate user. In certain situations it may involve the Member advising the user to take separate advice from someone else independently from the Member.
- 4.33 In such circumstances, care will need to be taken to ensure that the instructions so issued are consistent with the needs of the ultimate user of the advice.

It is expected that users will be made aware when input has been obtained from other professionals and/or experts, including when advice has been received from external actuaries and has been summarised by the member for the benefit of the user.

## PRINCIPLE 6 – COMMUNICATION

### General duty to communicate appropriately

8.1 Principle 6 of the Code provides that:

*“Members must communicate appropriately.”*

8.2 Members are expected to present information in a way that is accurate, impartial and in accordance with relevant professional standards<sup>4</sup> so that users who are relying on that information can both understand the context of the information and be clear about the message being conveyed. Communication is, therefore, a key part of a Member’s role. In order for Members to ensure that their communications (both written and oral) are appropriate, understanding the purpose and nature of their instruction is key.

### Judging what is appropriate

8.3 Appropriate communication is very often a matter of putting oneself in the place of the intended audience. For example:

- Is the communication courteous and professional?
- Are recommendations or options to be considered and the implications of each set out clearly?
- Is it clear what you are asking of the user where you are requesting something from them?
- Will they be able to navigate easily to the sections that are most relevant to their needs?
- Will they understand the basis on which estimates and calculations have been made, and the appropriate degree of confidence in the results?
- Above all, is the document fit for purpose, and appropriate for the use to which it is to be put?

Answering these questions requires not just good judgement and a high standard of written communication, but also a degree of imagination and empathy.

### Taking responsibility for your work

8.4 Amplification 6.2 requires that Members “*show clearly that they take responsibility for their work*”. It is essential to the trust in which the profession is held that there is clear accountability for any work carried out by Members. It would not be appropriate therefore for communications to users to be presented anonymously, especially where they are likely to influence or be relied upon by the user.

8.5 It may sometimes be the case that the person taking ultimate responsibility for work has not themselves carried out the bulk of the work. In cases like this, the person taking responsibility

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<sup>4</sup> Members carrying out work within the UK Geographic Scope should have regard to the FRC’s framework of TASs which sets out some specific requirements in relation to actuarial communication in respect of work deemed to be ‘technical actuarial work’ - <https://frc.org.uk/actuarial-policy/technical-actuarial-standards/technical-actuarial-standards-2017>



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for the work will need to ensure that they have fully understood what has been done and have carried out any relevant checks before signing the work.

- 8.6 Users are entitled to expect that the Member who has carried out a piece of work is satisfied that the information being provided is suitable and accurate. Members are expected to ensure that they are never knowingly associated with misleading information.

### **Social and other media**

- 8.7 This section details some of the considerations Members may wish to have in mind when using social media. Much of the guidance would however apply equally to Members' communications using other types of media, for example television or the printed press.

- 8.8 When used appropriately social media can be an extremely useful tool which allows Members to communicate quickly and effectively with other Members as well as the wider public. Discussion forums and social networking sites enable Members to reach a larger audience than they might otherwise be able to and are a way for Members to share ideas and develop professional working relationships. While the use of social media is therefore encouraged, its many benefits need to be balanced against the risk that it can sometimes pose to a Member's professional reputation if used inappropriately.

- 8.9 Members can put their professional reputation and membership of the IFoA at risk if they act in a way on social media that is unprofessional or unlawful. This might include (but is not limited to):

- sharing confidential information inappropriately - often there will be legal requirements prohibiting the disclosure of certain personal and sensitive information whether online or otherwise;
- posting inappropriate comments about others (including users and other Members);
- using inappropriate language;
- implicating oneself in unprofessional or unlawful conduct or encouraging others to behave unprofessionally or unlawfully;
- posting comments that are bullying or threatening; and
- posting anything that may be viewed as inappropriately discriminatory or that incites hatred or such discrimination.

- 8.10 Information shared online can be copied and passed on much more quickly than by any other means and potentially to a much wider audience. Once something is published online it is no longer private. What is more, once shared, information published online can remain in the public domain for a very long time. It is important, therefore, that before posting anything online, Members carefully consider the content of what they are posting and how it might be perceived by others.

### **Communications in personal life**

- 8.11 Nothing in this Guidance is intended to discourage Members from communicating through social media, however, it is important to remember that even when posting in personal forums, others may be aware that you are a Member of the IFoA and any information you provide or opinions you express may be judged in that light of that. This is particularly true where you identify yourself as being a Member in those forums. It is also worth remembering that the publication of information on social media carries the same obligations as for other types of

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communications and you therefore need to take care not to engage in any conduct online that threatens your ability to comply with your requirements under Code or impact on any of your other professional obligations.

- 8.12 If you are unsure whether something you are considering posting online is appropriate, think about what the impact might be if the information once shared is then disseminated widely. Remember that there can be consequences. It is not only the information that you post directly that has the potential to call into question your professionalism; endorsing someone else's point of view on a public post also has the potential to impact on how others perceive you. If in doubt, it is probably safer not to post than to post something you are unsure about and then regret it later.
- 8.13 When engaging in online discussion, be aware that the views you express may provoke a response; it is important to be open to the opinions of others and to treat others with respect, even if they are disagreeing with your view.

### Communicating on climate change and sustainability

- 8.14 As there is much uncertainty surrounding climate and sustainability issues, Members must be careful to ensure that any communication is accurate, not misleading and contains an appropriate level of information on these issues. Such as communicating any potential imminent developments, techniques or data that may impact the relevance of their work.
- 8.15 Members can consider if any communication could explain how their work can help or hinder the alignment to sustainable finance or a sustainable economy, or if alignment is not clear.
- 8.16 Members may wish to consider communicating any potential mitigations of sustainable risks that arise from the impact of their work and how collaborations with other professionals may also help mitigate these impacts.

## Examples of existing sustainability resources

The development of educational material has been a core focus for the [IFoA Sustainability Board](#) for a number of years. Key elements of their resources for members include:

- [practical guides](#): covering pensions, life insurance, general insurance with investments, risk and healthcare currently in production and an overall “Introduction to Climate Change” guide; and
- [a curated Library](#) for climate change with libraries on Biodiversity, Universal Ownership and Pluralist Economics.

Supporting these are more specific works covering different topics in more depth:

- [sessional papers and webinars](#): including Climate risk 101, Climate scenario analysis (a Pension Fund Case Study & financial market impacts), climate metrics (with PRI), TCFD Guide (with IEMA), Intergenerational Fairness Bulletin on Climate Change along with a number of IFoA conference presentations;
- [podcasts](#): including a series on Sustainable Development Goals & Financial Systems Thinking;
- [articles in the Actuary and in the IFoA Blog](#);
- [links to other courses and information source](#); and
- [a weekly sustainability newsletter](#) which is free to subscribe to.