



IFOA RESPONSE TO FRC STEWARDSHIP CODE CONSULTATION

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 34,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers. Actuaries are big-picture thinkers who use mathematical and risk analysis, behavioural insight and business acumen to draw insight from complexity. Our rigorous approach and expertise help the organisations, communities and governments we work with to make better-informed decisions. In an increasingly uncertain world, it allows them to act in a way that makes sense of the present and plans for the future.

The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the FRC's Stewardship Code Consultation. This response is prepared by the IFoA Sustainability Board and is written in the public interest.

Given the Board's area of expertise, our response focuses primarily on Q1 and the proposed change to the definition of 'stewardship'.

Key points

- The IFoA welcomes the FRC's review of the Stewardship Code to ensure high quality and effective stewardship.
- However, we have concerns about the revised definition of 'stewardship' as presented in the consultation.
- Our preference is to keep the existing definition of stewardship.
- If the definition is to change, we suggest amending the existing definition from '*leading to*' to either '*contributing to*' or '*having regard to*' sustainable benefits for the economy, the environment and society.

Q1. Do you support the revised definition of stewardship?

The IFoA has concerns about the revised definition of stewardship. We believe the definition should retain the explicit reference to 'sustainable benefits for the economy, environment and society'.

This is in line with the IFoA's support for the principle of double materiality – i.e. that companies should assess both the impact of sustainability risks on the business and how business activities impact society and the environment. We hold this principle not just from a public interest perspective, but also in recognition of the systemic risk of climate change. For instance, insurance leaders have unequivocally stated that most assets will be uninsurable if average temperatures rise to 4°C above pre-industrial levels.¹

¹ IFoA [The Emperor's New Climate Scenarios](#) (2023)

Beijing	Room 512 · 5/F Block A · Landgentbldg Center · No. 20 East Middle 3rd Ring Road · Chaoyang District Beijing · 100022 · People's Republic of China	Tel: + 86 10 5878 3008
Edinburgh	Space · 1 Lochrin Square · 92-94 Fountainbridge · Edinburgh · EH3 9QA	Tel: +44 (0) 7632 2100
London (registered office)	1-3 Staple Inn Hall · High Holborn · London · WC1V 7QJ	Tel: +44 (0) 7632 2100
Malaysia	Arcc Spaces · Level 30 · Vancouver suite · The Gardens North Tower · Lingkaran Syed Putra · 59200 Kuala Lumpur	Tel: +60 12 591 3032
Oxford	Belsyre Court · 1st Floor · 57 Woodstock Road · Oxford · OX2 6HJ	Tel: +44 (0) 7632 2100
Singapore	Pacific Tech Centre · 1 Jln Kilang Timor · #06-01 · Singapore 159303	Tel: +65 8778 1784

The proposed revised definition of stewardship refers to ‘long-term sustainable value for clients and beneficiaries’, with the supporting language focusing on investors meeting the objectives of clients and beneficiaries today, without compromising their ability to do so in the future. While we note that the supporting language provides that “Stewardship that supports sustainable, long-term returns may lead to wider benefits for the economy, the environment and society”, we suggest that without referring specifically to “sustainable benefits for the economy, the environment and society”, the definition may be interpreted too narrowly and as financial only.

Recent weather events have shown that severe climate impacts are emerging at lower temperatures than expected.² We support a more explicit requirement on investors to consider wider systemic risks from climate and biodiversity loss and associated societal impacts, as these will become financially material in the longer term. Even without considering cascading impacts, Verisk estimates a 5% chance of annual economic losses breaching the \$1 trillion mark in the next decade.³ While we understand the purpose of the Code is not to direct signatories on how to meet their fiduciary duties or how they invest their assets, we believe it is important to retain the reference to ‘sustainable benefits for the economy, the environment and society’ within the definition of stewardship.

We recommend that, if the existing definition is to change, it is changed to one of the two following options:

- Option 1: “Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries **contributing** to sustainable benefits for the economy, the environment and society.”
- Option 2: “Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, **having regard** to dependencies and impacts on society and the environment.”

noting that ‘having regard to’ is the language used in Section 172 of the UK Companies Act.

7. Do the streamlined Principles capture relevant activities for effective stewardship for all signatories to the Code?

The IFoA believes that there are gaps in respect of the activities of some participants. For example, we think it would be helpful for service providers, such as investment consultants, advisers and proxy advisers, to have a clear framework for ensuring that the advice and services they offer demonstrably match the needs and wants of their clients.

² IFoA [Climate Scorpion](#) (2024)

³ Verisk [Modeling insured catastrophe losses: a global perspective for 2024](#)