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IAA Survey on Climate/Sustainability Insights relating to European FMAs.



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Sustainability and climate change have been identified as important areas for development for the actuarial profession. Noting the growing importance of these fields to our profession, the Professionalism Committee of the AAE had a preliminary discussion in Vilnius in April 2024, discussing the possibility of providing guidance to its members on these topics.

- The background that initiated this discussion was the non-mandatory guidance issued by the Institute and Faculty of Actuaries in January 2024, with the aim of supporting actuaries in addressing the ***ethical and professional considerations*** for actuaries.
- An initial assessment of the needs of AAE member associations was deemed necessary to understand the usefulness of such guidance by the AAE, noting that it was envisioned that such guidance would be non-mandatory.
- The initial scope of the guidance would be to support and compliment actuaries' understanding of how climate change matters to our profession and how the related risks could be considered when carrying out actuarial work.

Although a short questionnaire was developed by the AAE to assess the needs of member associations, this was postponed due to the issuance of an IAA Survey on Climate/Sustainability (April 2024) and the decision by the AAE Professionalism Committee to wait for the feedback from the IAA survey to avoid duplication of efforts.

The responses to the IAA survey from European Full Member Associations are presented in the sections that follow to stimulate the discussion and to understand our members' views on what can be helpful in terms of guidance and other materials on the topic of sustainability and climate change.

This is an initial step for the AAE to decide on next steps for the provision of the necessary support to our members.

It is noted that the IAA survey had a wider scope and was not limited to the assessment of FMAs' needs for formal guidance. As such, some of the questions and responses presented may not be directly relevant to the initial scope of this exercise for the AAE.

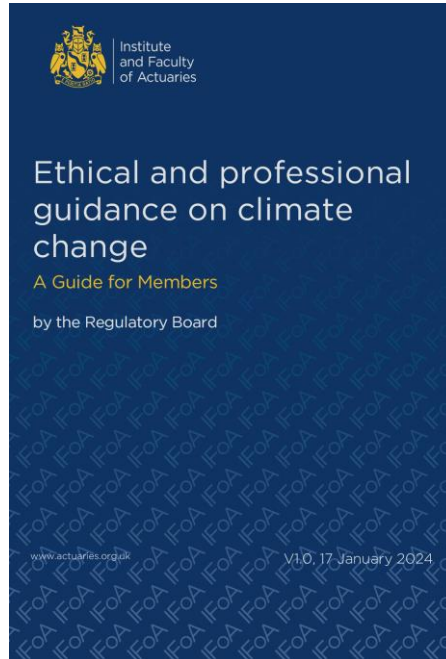
Ethical and Professional Guidance on Climate Change by IFoA



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- In January 2024, the Institute and Faculty of Actuaries issued **non-mandatory** guidance on climate change, addressing ethical and professional considerations for actuaries.
- The guidance discusses the relevance of the actuarial profession in the field of climate change and sustainability, noting the challenges and opportunities to our profession.
- The guidance outlines actuaries' responsibilities under the UK code of conduct, emphasising responsibilities under core principles of **integrity, competence and care, impartiality, compliance, speaking up**, and effective **communication** regarding climate change and sustainability issues.
- Within this guidance, the IFoA provides some useful case studies and links to further resources on climate change and sustainability, to assist their members in integrating these considerations into their practice.



In December 2022, the Executive Committee of the IAA approved an implementation plan for the IAA Climate Risk Action Plan presented to their Strategic Planning Committee in November 2022. As a result, the following activities in the proposed action plan were initiated:

1. Development of ISAP 8 on IFRS S2 Climate-Related Disclosures
2. Development of IAN 200 on IFRS S2 Climate-Related Disclosures

The remaining activities in the action plan were to:

- Gather information from Full Member Associations (FMAs), Supranational Organizations, Supranational Relationship Managers, Sections, and climate actuarial experts to understand their needs and determine what the IAA could potentially do.
- Develop a roadmap for FMAs' approval of IAA climate/sustainability-related activities considering the information gathered and any gaps identified by the CRTF in their final report (Paper #8)

The survey was intended to gather information from FMAs on what the FMAs would like to address at a global level relating to climate/sustainability related risks and therefore to enable the IAA to develop a suitable roadmap for IAA activities on these issues.

Responses from the European FMAs that responded to the Survey are set out in the next section in anonymised form.

The key findings from the IAA survey are outlined below:

- There was broad support among FMAs for the IAA to engage in initiative relating to both climate and sustainability.
- Both in sustainability and climate risk, there is global dimension to the issues. There is a role for the IAA to supplement the work of the FMAs, leveraging on what has been done already.
- There is a need to carefully define the scope of IAA activity in this space; there are many activities that have been suggested for the IAA to potentially work on. Taking on too many activities can be quite overwhelming and well beyond the IAA's capacity and available resources.
- A staged approach may be appropriate, prioritising areas with high impact and relevance to financial institutions, or work driven by the IAA's supranational stakeholders.
- Most FMAs do not have the resources to address these topics. IAA's work will benefit smaller/developing FMAs that do not have the resources to dedicate to these topics.

Some key themes which emerged from discussions with IAA Section Leaders were:

Themes to explore further regarding Climate and Sustainability

- Suggested IAA and FMAs to start assessing its own carbon footprint.
- Double materiality.
- Real implications of carbon reduction plans on natural resources, consumption and GDP.
- Climate VaR
- More work with IPCC (Intergovernmental Panel on Climate Change)
- Model developments

Ways to reach actuaries

- Webinars
- Interviews of actuaries involved in actual Climate and Sustainability work
- Colloquia

European FMAs that responded to the Survey

The following list sets out the AAE FMAs 19 (out of 33) which responded to the IAA survey.

Country	Name of Full Member Association
Austria	Aktuarvereinigung Österreichs (AVÖ)
Croatia	Hrvatsko Aktuarsko Društvo
Denmark	Den Danske Aktuarforening
Estonia	Eesti Aktuaaride Liit
Finland	Suomen Aktuaariyhdistys
France	Institut des Actuaire
Germany	Deutsche Aktuarvereinigung e. V. (DAV)
Greece	Hellenic Actuarial Society
Hungary	Magyar Aktuárius Társaság
Iceland	Félag Islenskra Tryggingastærðfræðinga
Ireland*	Society of Actuaries in Ireland
Italy	Italian Society of Actuaries (ISOA)
Lithuania	Lietuvos Aktuaru Draugija
Netherlands	Het Koninklijk Actuarieel Genootschap
Norway	Den Norske Aktuarforening
Slovakia	Slovenska Spolocnost Aktuarov
Slovenia	Slovensko Aktuarsko Društvo
Switzerland	Association Suisse des Actuaire
United Kingdom	Institute and Faculty of Actuaries

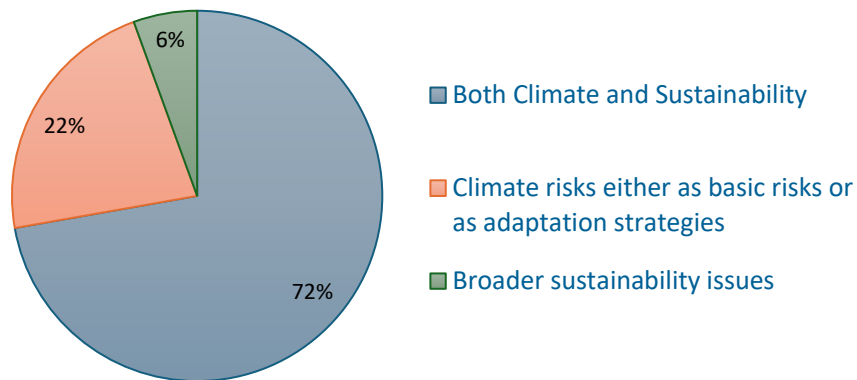
**Note that two separate responses were submitted on behalf of the Society of Actuaries in Ireland.*

Answers to Question 4

Q4: Please indicate your association's view on the extent of risks that should be taken into consideration in developing the IAA roadmap, and the rationale:

- Climate risks either as basic risks or as adaptation strategies
- Broader sustainability issues
- Both Climate and Sustainability

Responses from European FMAs



Key findings from responses to Question 4

Based on the responses from European FMAs to Question 4 of the IAA survey, the majority of responders indicated broad support for the IAA to engage in initiatives relating to **both climate and sustainability**.

Q5: According to your priority indicated in Q4, and in the interest of managing the limited resources available, we would like to prioritise the most important areas/topics for IAA member associations. Please suggest the two most important specific areas/topics that your association would want the IAA to advance in the next 3 years.

Key findings from responses to Question 5

Based on the responses to the survey, the most common themes appearing as “important topics to prioritise” are listed below:

Risks identified

- Extreme weather conditions (temperature/flood/droughts/windstorms etc)
- Health impact, pollution
- Biodiversity: Risk and implications
- Climate Adaptation

Applications identified

- Climate Change Protection Gaps: impact of climate change on pension savings and insurance availability;
- Transition risk - more guidance and consistency in the area of transition risk scenarios
- Disaster risk management including climate adaptation
- Long term climate scenario modelling for disclosures and wider risk management
- Sustainable finance, insurance and health systems; insurance pricing in relation to climate change
- How to take climate into account in ORSA
- Net Zero Strategies

Q6: Please rank/prioritize the following possible IAA efforts on climate/sustainability-related topics in the coming years:

Rank of priorities assigned by responders on potential IAA efforts in the coming years (responses by European FMAs)

RANK 1: Increase representation efforts with supranational organizations and partnering if appropriate

RANK 2: Developing educational materials (such as papers) for actuaries

RANK 3: Developing International Actuarial Notes

RANK 4: Offering webinars

RANK 5 (tie): Developing model International Standards of Practice (ISAPs)

RANK 5 (tie): Developing applications beyond the natural remit of actuaries

Q7: Please select which of the following best describes how your association addresses **climate** related issues / Q8: Please select which of the following best describes how your association addresses **sustainability** related issues. Available options:

- This is not considered a priority for our association.
- We find this a topic of importance however we have not been able dedicate the needed resources.
- We are very much involved in climate related issues.

How European FMAs are addressing climate/sustainability related issues

Climate

- 56% of European FMAs that responded to this question said **climate** is a topic of importance, however they have not been able dedicate the needed resources.
- 44% noted that they are very much involved in climate related issues.

Sustainability

- 44% of European FMAs that responded to this question said **sustainability** is a topic of importance, however they have not been able dedicate the needed resources.
- 44% noted that they are very much involved in climate related issues, while 11% noted that sustainability is not considered a priority for their association.

Q9: If your association has a climate/sustainability related working group or committee, please tell us its name, who the Chair is, and whether your FMA has already started work in one of the project that you identified as a priority.

Q9 Response

- 10 out of 19 European FMAs (53%) indicated the existence of a sustainability working group / committee.
- One association noted that they only have an unofficial group for the time being.

Q10: If your association has or plans to issue professional guidance, please share the links to it. Please share any additional comments for the IAA here. Q11: Please share additional information here.

Q10 & Q11 Response

- Only 3 out of 19 European FMAs indicated that they have issued professional guidance related to the topic (Germany, Netherlands, and the UK).
- The Society of Actuaries in Ireland have noted that they looked at the IFoA guidance on professionalism in relation to sustainability and climate change and are considering issuing something similar in Ireland.
- Some notable comments were:

“As a small national organization to us the European (AAE) and international (IAA) level of actuarial cooperation is crucial (also) in this area.”

“We are a small group of actuaries working on the ESG working group so we appreciate all kind of information-exchange to get more insights and opinions on ESG topics.”

“The IAA could communicate more regularly and consistently with members on this topic to promote engagement.”



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