

Statement of Intent (SOI) for International Actuarial Note supporting the ISSB's IFRS S1&S2 on Sustainability and Climate-Related Disclosures (IAN 200)

Approved by Insurance Accounting Committee¹

Executive Summary

1. What are we proposing?

The IAA is proposing an [International Actuarial Note](#) (IAN) supporting the ISSB's IFRS S1&S2 on Climate-Related Disclosures and ISAP 8 on Climate-Related disclosures. In order to complete this proposal, the IAA has established a Task Force (TF) to develop the IAN. The TF is comprised of IAA members from Insurance Accounting, Insurance Regulation and Employee Benefits and Pensions Committees, together with volunteers from the Climate Risk Task Force.

2. Why are we proposing this?

ISAP 8, the IAA's International Standard of Actuarial Practice on reporting under S2 is in a draft stage and needs to be supported by material with a clearly focused educational value. It is also important that the actuarial profession globally is seen to be providing direct educational support for the ISSB's standards.

3. What is the objective?

The main objective of the IAN is to support understanding of reporting under standards S1 and S2 by focusing on the key areas of reporting required by the standards and providing notes to aid actuaries and other relevant professionals in supporting those areas of reporting. The key areas of reporting are summarised under the categories of:

- Governance;
- Strategy;
- Risk Management; and
- Metrics and Targets;

Note that as we are providing educational support for actuaries, some of the sub-categories to these key areas will attract more focus from us. These sub-categories, such as detailed risk assessment and scenario analysis will be dealt with in our note under the key areas as listed above.

The IAN will also provide educational commentary, as appropriate, on the Appendices to the Standards for the Insurance and Asset Management Sectors.

4. How will we reach this objective? When and how long?

The TF will meet frequently and largely virtually over the next 12 months. We will use the opportunities offered by the Lisbon (November 2023) and Seoul (May 2024) for members of the TF to liaise and report the findings. Our aim is currently to release the final IAN 200 after the Seoul meeting. This approach largely follows the successful approach used in developing IAN100 for IFRS 17.

¹ Approved by e-mail vote concluded on 10 January 2024. Required simple majority of the votes cast – all votes were in favour.

Scope of the Proposed IAN 200

Our focus will be on the key areas of IFRS S2 providing actuarial input to educate and encourage actuaries and other like-minded professionals to use, and support use of, the Standard as effectively and efficiently as possible. This will also involve the use of actuarial support of IFRS S1 as foundations for input in the following sections:

Background and Introduction

- a. S1/S2 Background - this will involve a description of the key aspects of the two standards (i.e., IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosures)
- b. Objectives of IAN 200 – Expansion of the language used in the background section, including more detail on the areas of education and the likely main aspects of actuarial knowledge and input.
- c. Focus on Drivers of Enterprise Value (Financial position, financial performance and cash flows) – Recognition that the value lost (or created) by Sustainability related issues (and climate related exposures in particular) can be modelled and related to the economic value of the entity under examination in many cases.
- d. Exposure to risks and opportunities – Identification (and quantification where possible) of the connection between the entity's business and the Climate-related risks and opportunities

Governance

Provision of support for the choice of appropriate governance of climate risk related activity by the entity, including:

- a. Choice of governance body
- b. Status of governance body within the entity
- c. Reporting content and frequency
- d. Experience of governance body members

Strategy

Develop a means of assisting users of general-purpose financial reports to understand the entity's management of sustainability-related (and specifically, climate risk-related) risks and opportunities.

- a. Coordination with climate specialists
- b. Coordination with management
- c. Coordination with product/pricing team
- d. Coordination with ALM team

Risk Management

- a. Risk identification/scoping for the entity.
 - i. Physical risks
 - ii. Transition risks
 - iii. Reputational risk
- b. Assumption setting
 - i. Policies in jurisdictions where entity is active
 - ii. Macroeconomic trends
 - iii. Energy usage and mix
 - iv. Others

- c. Measurement uncertainty/reasonable estimates
- d. Individual risk assessment (including ORSA type disclosures/references, risk concentration effects etc.)
- e. Measurement uncertainty
- f. Scenario analysis - actionability of scenario testing and integration into overall entity risk management consistent with practice in 2(c) above.
- g. Pricing implications

Metrics and Targets

This section will cover cross-industry metrics along with sector specific targets for the insurance and asset management sectors, since those are the two sectors called out in the appendices of primary relevance to actuaries.

- a. Identification and separate analysis of key metrics related to climate risk (Greenhouse gas emissions, transition risks, physical risks, opportunities, internal carbon prices, remuneration)
 - i. Developing models
 - ii. Risk Correlations
 - iii. Supply chain impacts
 - iv. Sample standardized list of scenarios to consider.
- b. Sensitivity Analysis – key variables
- c. Difference statements (i.e., effects of different climate outcomes)
- d. Bridge to financial statements
- e. Financial Planning and Analysis (impact on cash flows, access to capital, capital position, etc.)