



International Actuarial Association
Association Actuarielle Internationale

27 December 2020

IFRS Foundation Trustees
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD
United Kingdom

Dear Trustees,

IFRS Foundation Consultation Paper on Sustainability Reporting

In response to the IFRS Foundation Trustees' Consultation Paper on Sustainability Reporting published on 30 September 2020, I am pleased to submit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

Our comments are structured around the questions listed in the Consultation Paper.

These comments have been prepared by the IAA Executive Committee's Sustainability Reporting Task Force. The IAA would welcome the opportunity to discuss these ideas further with you.

If you wish to discuss any of our feedback please do not hesitate to contact Micheline Dionne, Chair of the Task Force, via the [IAA Secretariat](#).

Yours sincerely,

A handwritten signature in cursive script that reads "Tonya B. Manning".

Tonya Manning
President

Attachment: [IAA Comments](#)

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The International Actuarial Association

The International Actuarial Association (IAA) represents the global actuarial profession. Our seventy-three Full Member actuarial associations, listed in [Appendix A](#), represent more than 95% of all actuaries practising in over 115 countries around the world. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with international bodies on matters falling within or likely to have an impact upon the areas of expertise of actuaries.

We are pleased to be given the opportunity to provide input to the IFRS Trustees on this important consultation. These comments have been prepared by the IAA Executive Committee's Sustainability Reporting Task Force and approved by the IAA Executive Committee. The current members of the Executive Committee and its Sustainability Reporting Task force are listed in [Appendix B](#).

Actuaries as financial risk managers are interested in sustainable development and the public good, and the IAA has recognized climate-related risk assessment, management and disclosure as a main strategic initiative. The IAA has [published several papers](#) on the topic e.g., on decarbonization, risks to water resources, floods, impact on world population, and climate-related financial risks.

Our comments are as follows:

Question 1 Is there a need for a global set of internationally recognized sustainability reporting standards? (a) If yes, should the IFRS Foundation play a role in setting these standards and expand its standard-setting activities into this area? (b) If not, what approach should be adopted?

- 1.1. Improved global consistency of sustainability reporting through internationally recognized standards is a worthwhile endeavor. There is strong demand from investors, asset managers and a range of other stakeholders for information on the exposure that companies have to sustainability risks.
- 1.2. We have concerns with both the availability of information and the proliferation of voluntary frameworks and approaches, as noted in the consultation paper. International standards would help prevent divergence of reporting approaches around the globe and ensure that investors and other stakeholders can rely on comparable disclosure across global financial markets.
- 1.3. Globally accepted standards could help reduce the risk of misrepresentation of sustainability risks, e.g., green-washing and social-washing, and the resulting risk that capital allocation decisions are not consistent with investors intended objectives.

- 1.4. We see a number of positive aspects to the IFRS Foundation expanding its activities to include setting internationally recognized standards in this area. The IFRS Foundation has many years' experience through the IASB in applying the governance required to set standards that have been internationally recognized and provide an increased level of consistency across global capital markets. The objectives here of achieving global adoption and consistency seem to fit well with the IFRS Foundation's experience and skills.
- 1.5. However, the lack of current consistency in application is at least in part due to the voluntary nature of current approaches and importantly a result of the developing nature of technical expertise on sustainability assessment. The IFRS should offer a platform that would encourage the development of the technical expertise by experts, drawing from organizations that are already involved and others that can usefully contribute, while providing a sound governance environment and global recognition.

Question 2 Is the development of a sustainability standards board (SSB) to operate under the governance structure of the IFRS Foundation an appropriate approach to achieving further consistency and global comparability in sustainability reporting?

- 2.1. Should the IFRS Foundation decide that it wishes to participate in this area, we support the development of a sustainability standards board to operate under the governance structure of the IFRS Foundation.
- 2.2. The establishment of a separate board has the advantages of benefitting from the experience of the IFRS Foundation, while allowing for board membership that consists of a broader skill base, relevant to sustainability issues, and minimizing any impact on the IASB and its work program.
- 2.3. We note that there is potential overlap between the boards' roles, for example the current IASB project on management commentary or more generally where environmental issues have a financial impact which needs to be addressed in conventional accounts. We would expect the governing documents for both boards to mandate a level of cooperation and consultation on areas where they may be overlap.

Question 3 Do you have any comment or suggested additions on the requirements for success as listed in paragraph 31 (including on the requirements for achieving a sufficient level of funding and achieving the appropriate level of technical expertise)?

- 3.1. We feel that there are some amendments to or additional requirements for success that are worth considering.

- 3.2. First, we note that the stakeholders mentioned in paragraph 31(a) are limited to market stakeholders, regulators, and governments. We feel that a broader range of stakeholders need to support the SSB initiative for it to be successful.
- 3.3. While the public are arguably market stakeholders, with many being end investors through pension funds and other vehicles, we consider it important to call the public out specifically as a stakeholder here. The views of professional investors and institutional asset owners on sustainability matters are strongly influenced by public opinion and demands of their customers. Related to that, public opinions will be influenced by a range of organizations seeking to make a positive difference on issues like climate change, and therefore these should also be identified as stakeholders.
- 3.4. Another group of stakeholders includes the other bodies that are already working in this area. We note the joint statement of intent from the CDP, CDSB, GRI, IIRC and SASB that is supportive of the IFRS Foundation involvement, but continued support would be an important factor in reducing proliferation of approaches and improving global consistency.
- 3.5. The requirements for success in paragraph 31 do not mention anything on the timely delivery of new standards. Given that the urgency of progress on climate related issues seems to be generally accepted by many stakeholders, that appears to be an omission. A failure to make timely progress raises the risk that other frameworks are adopted in the meantime, which may slow down the progress towards achieving global consistency.

Question 4 Could the IFRS Foundation use its relationships with stakeholders to aid the adoption and consistent application of SSB standards globally? If so, under what conditions?

- 4.1. Yes, we feel that the IFRS Foundation's existing relationships are a key benefit of the proposed SSB.
- 4.2. We acknowledge that those relationships were built up over many years for arguably a different purpose in the adopting and development of IFRS. A condition for using these relationships must be that it does not detract from the acceptance or the work of the IASB itself. For that reason, it would be beneficial to establish an SSB separate from the IASB. A previous decision to adopt IFRS would not automatically mean that a stakeholder would need to support any new SSB standards.

Question 5 How could the IFRS Foundation best build upon and work with the existing initiatives in sustainability reporting to achieve further global consistency?

- 5.1. Noting our comments above on the existing technical standard setters being key stakeholders, working with those organizations is a key prerequisite to building on those initiatives and a key component to improving the timelines of this initiative.
- 5.2. To encourage cooperation and “ownership” of the SSB initiatives by existing technical standard setters, it would be appropriate for the initial membership of the SSB to include representatives of the current standard setters and other stakeholders involved with current regulation and guidelines.
- 5.3. The IFRS Foundation has expertise from the processes the IASB went through with the adoption of international accounting standards. We understand that the IASB worked with local accounting standard setters at the time and continues to do so.

Question 6 How could the IFRS Foundation best build upon and work with the existing jurisdictional initiatives to find a global solution for consistent sustainability reporting?

- 6.1. In many ways the approach here should be similar to the approach with existing standard setters covered under Question 5. The creation of the SSB would also provide a focus for jurisdictional development.

Question 7 If the IFRS Foundation were to establish an SSB, should it initially develop climate-related financial disclosures before potentially broadening its remit into other areas of sustainability reporting?

- 7.1. Yes, it seems to be broadly accepted by most stakeholders that climate-related financial disclosures are the most urgent. So, it is appropriate to start there. It is also an area where the issues are relatively well defined.
- 7.2. When working on climate-related financial disclosures, alignment with the work done by the TCFD will be crucial as it has already achieved significant recognition and is itself built upon the work of other organisations such as the SASB.
- 7.3. We also support growth of the remit over time to cover a wider range of sustainability reporting issues. Here it will be important to define the nature of the problem and the objectives for reporting, which we discuss further below.

Question 8 Should an SSB have a focused definition of climate-related risks or consider broader environmental factors?

- 8.1. We agree that the boundaries of these issues are not clear and note that the focus here will depend on the approach taken to materiality discussed in Question 9.
- 8.2. As with our response to question 7 we would recommend providing the SSB with a guiding principle that it should focus on climate change first, including the likely impact

of mitigation and adaptation policies, along with the flexibility to make practical decisions about the matters that it deems necessary to consider in working towards that principle.

- 8.3. As mentioned under question 7, the SSB should then go on to consider other sustainability risks.

Question 9 Do you agree with the proposed approach to materiality in paragraph 50 that could be taken by the SSB?

- 9.1. A difference between sustainability reporting and other financial reporting is that it is not only about the value of the entity, but also about risks and trends relevant to the future value of the entity.
- 9.2. With that in mind, limiting materiality to the effect of events on the reporting entity and excluding the impact of the entity on the wider environment is challenging. There isn't necessarily a neat division of these matters.
- 9.3. An entity that is making an impact on the wider environment is exposed to the reputational, legal, fiscal and regulatory risk as well as increased cost for public goods like water and land. It could be penalized for the impact of such risks at some point in future, internalizing that external impact (as indicated in paragraph 49).
- 9.4. On that basis we are of the view materiality for sustainability reporting requires a focus that goes beyond the traditional direct financial materiality to include the assessment of risks arising both from external sources and to third parties.

Question 10 Should the sustainability information to be disclosed be auditable or subject to external assurance? If not, what different types of assurance would be acceptable for the information disclosed to be reliable and decision-useful?

- 10.1. If the sustainability information provided under these standards is valuable to investors and other stakeholders, which we believe it is, the information must be reliable.
- 10.2. However, as the content of SSB standards has not yet been set, it is not possible to say with certainty what types of assurance may be appropriate, but the type of assurance will be different to a traditional audit. Given this is an emerging area, starting with limited assurance and moving to a more complete approach over time would be a reasonable approach.
- 10.3. Some considerations that we have on the types of assurance that may be appropriate include the following.
- 10.4. Information, such as greenhouse gas emissions or water usage, may be quantifiable, although even here the methodologies adopted would need careful examination.

- 10.5. More generally, assurance would be needed in relation to the consistency between stated policies and objectives and the working practices and methodologies adopted.
- 10.6. Risk management professionals accustomed to modelling, scenario analysis and forming a judgement on future developments (including actuaries) may be able to assist in providing or reviewing SSB disclosures, working with auditors.
- 10.7. The TCFD has recommended in relation to climate change that disclosures should be required under four headings: governance, strategy, risk management and metrics/targets. A similar approach could be considered for other sustainability issues. Audit or assurance could firstly establish whether such recommendations have been followed, provide some verification of any quantifiable data and report on consistency with other aspects of the financial statements (including previous periods).

Question 11 Stakeholders are welcome to raise any other comment or relevant matters for our consideration.

- 11.1. It would be appropriate for the proposed SSB and the IASB to align their projects so that the requirements are consistent and there will not be any duplication of reporting requirements, for example in a separate sustainability report and in the management commentary.
- 11.2. In considering sustainability issues, the work done by international organisations such as the United Nations, for example in relation to the Sustainable Development Goals, and the European Union on such matters as waste and the circular economy, could provide guidance on the matters that should be covered by reporting.
- 11.3. Initial work of the SSB should be conscious of not being in conflict with ongoing developments on sustainability.
- 11.4. We imagine that different jurisdictions may make different decisions about the extent to which the standards of the SSB are implemented. While IFRS has broad coverage, it is possible that there may be some differences between the reporting entities required to report under IFRS and those that eventually use SSB standards. For example, in the EU the reporting entities that prepare reports under the sustainability regulation NFRD includes entities which do not have to prepare IFRS financial reports. Therefore, with the development of SSB standards, it cannot be necessarily assumed that entities using those standards will also be preparing IFRS financial statements.

Appendix A

Full Member Associations of the IAA (73 members)

December 2020

Asociación Centroamericana de Actuarios (ACEA)
Caribbean Actuarial Association (Caribbean)
Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)
Actuaries Institute (Australia)
Aktuarvereinigung Österreichs (AVÖ) (Austria)
Institut des Actuaire en Belgique (Belgique)
Aktuarsko Drustvo U Bosni I Hercegovini (Bosnia and Herzegovina)
Instituto Brasileiro de Atuária (IBA) (Brazil)
Bulgarian Actuarial Society (Bulgaria)
Canadian Institute of Actuaries/Institut Canadien des Actuaire (Canada)
China Association of Actuaries (China)
Actuarial Institute of Chinese Taipei (Chinese Taipei)
Asociación Colombiana de Actuarios (Colombia)
Institut des Actuaire de Côte d'Ivoire (Côte D'Ivoire)
Hrvatsko Aktuarsko Drustvo (Croatia)
Cyprus Association of Actuaries (Cyprus)
Česká Společnost Aktuárů (Czech Republic)
Den Danske Aktuarforening (Denmark)
Egyptian Society of Actuaries (Egypt)
Eesti Aktuaaride Liit (Estonia)
Suomen Aktuaariyhdistys (Finland)
Institut des Actuaire (France)
Deutsche Aktuarvereinigung e. V. (DAV) (Germany)
Actuarial Society of Ghana (Ghana)
Hellenic Actuarial Society (Greece)
Actuarial Society of Hong Kong (Hong Kong)
Magyar Aktuárius Társaság (Hungary)
Félag Islenskra Tryggingastærðfræðinga (Iceland)
Institute of Actuaries of India (India)
Persatuan Aktuaris Indonesia (Indonesia)
Society of Actuaries in Ireland (Ireland)
Israel Association of Actuaries (Israel)
Istituto Italiano degli Attuari and Ordine degli Attuari (Italy)
Institute of Actuaries of Japan (Japan)
Japanese Society of Certified Pension Actuaries (Japan)
Actuarial Society of Kazakhstan (Kazakhstan)
The Actuarial Society of Kenya (Kenya)
Latvijas Aktuaru Asociacija (Latvia)
Lebanese Association of Actuaries (Lebanon)

Full Member Associations of the IAA (73 members)

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Lietuvos Aktuaru Draugija (Lithuania)
Macedonian Actuarial Association (Macedonia)
Persatuan Aktuari Malaysia (Malaysia)
Colegio Nacional de Actuarios A. C. (Mexico)
Association Marocaine des Actuaires (Morocco)
Het Koninklijk Actuarieel Genootschap (Netherlands)
New Zealand Society of Actuaries (New Zealand)
Nigeria Actuarial Society (Nigeria)
Den Norske Aktuarforening (Norway)
Pakistan Society of Actuaries (Pakistan)
Actuarial Society of the Philippines (Philippines)
Polskie Stowarzyszenie Aktuaruszy (Poland)
Instituto dos Actuários Portugueses (Portugal)
Asociatia Romana de Actuarial (Romania)
Russian Guild of Actuaries (Russia)
Udruzenje Aktuara Srbije (Serbia)
Singapore Actuarial Society (Singapore)
Slovenska Spolocnost Aktuarov (Slovakia)
Slovensko Aktuarsko Drustvo (Slovenia)
Actuarial Society of South Africa (South Africa)
Institute of Actuaries of Korea (South Korea)
Col.legi d'Actuaris de Catalunya (Spain)
Instituto de Actuarios Españoles (Spain)
Actuarial Association of Sri Lanka (Sri Lanka)
Svenska Aktuarieföreningen (Sweden)
Association Suisse des Actuaires (Switzerland)
Society of Actuaries of Thailand (Thailand)
Actuarial Society of Turkey (Turkey)
Association of Consulting Actuaries Limited (United Kingdom)
Institute and Faculty of Actuaries (United Kingdom)
ASPPA College of Pension Actuaries (United States)
Casualty Actuarial Society (United States)
Conference of Consulting Actuaries (United States)
Society of Actuaries (United States)

Appendix B

Members of the Executive Committee

(December 2020)

Tonya Manning	President
Jan C H Kars	President-elect
Gábor Hanák	Immediate Past President
Alf Gohdes	Member
Catherine Denise Lyn	Member
Charles Anthony Cowling	Member
Estella S. F. Chiu	Member
Jacques Tremblay	Member
Jeremy Brown	Member
Régis de Larouillère	Member
Roseanne Harris	Member

Members of the Executive Committee's Sustainability Reporting Task Force

(December 2020)

Micheline Dionne (Chair)	Canada
Andrew Chamberlain	United Kingdom
Tim Furlan	Australia
Dieter Köhnlein	Germany
Paul Meins	United Kingdom
Pentti Soininen	Finland
Fred Rowley	Australia
Ernst Visser	Netherlands
Stuart Wason	Canada