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Memorandum

To: All members of the Canadian Institute of Actuaries, and other interested parties

From: Edward Gibson, Chair
Actuarial Standards Board

Karen Lockridge and Steven W. Easson, Co-Chairs
Designated Group

Date: December 9, 2024

Subject: **Notice of intent: Review of CIA *Standards of Practice* for climate change**

Comment deadline: March 31, 2025

Document 224127

Introduction

The Actuarial Standards Board (ASB) established a designated group (DG) to recommend changes for adoption into CIA *Standards of Practice* (SOP) relating to the International Actuarial Association's (IAA) development of a new International Standard of Actuarial Practice (ISAP 8) on climate-change issues and to other related stakeholder standards and expectations.

Specifically, the mandate of the DG is to:

- Review the requirements of IAA's ISAP 8 for adoption into SOP and, if warranted, propose relevant and necessary changes. Recommend to the ASB changes to the SOP related to climate-change issues beyond those within the scope of ISAP 8. Any such recommendations should include specific rationale to support the need for additional SOP beyond the scope of ISAP 8. Recommend to the ASB whether to create a new Part 9000 on climate change or alternatively incorporate changes into the existing eight Parts.
- Liaise with the ASB's DG on the quinquennial review of Part 1000 to ensure Part 1000 general requirements contemplate actuaries working on climate related issues.¹
- Target timeline is to align with release of the final version of ISAP 8 (expected to be in 2025) but with flexibility to potentially defer such release date if there are delays in the release of Canadian accounting and/or regulatory standards related to climate change.

In consideration of the first mandate, the ASB approved the release date of this notice of intent (NOI) to be one week after the IAA released its exposure draft of ISAP 8. The ISAP 8 exposure draft was released on December 2, 2024.

¹ As any changes related to the ASB's quinquennial review of Part 1000 is expected to be published in early 2025, amendments to incorporate climate considerations into Part 1000 were minimal due to timing.

This NOI outlines changes to the SOP under consideration and it requests feedback on the revisions as part of the ASB's due process for amending the SOP. Other changes may be identified as the process unfolds, for which the membership will have an opportunity to comment at later stages.

The following documents form the basis for potential changes to the SOP:

- [IAA ISAP 8 exposure draft](#)
- [International Sustainability Standards Board \(ISSB\) International Financial Reporting Standard \(IFRS\) S2](#) (Climate-related Disclosures)
- [Canadian Sustainability Disclosure Standards 2](#) (CSDS 2)²
- Office of the Superintendent of Financial Institutions (OSFI) [Guideline B-15: Climate Risk Management](#)
- Autorité des marchés financiers (AMF) [Climate Risk Management Guideline](#) (CRMG)
- BC Financial Services Authority (BCFSA) [Consultation on Natural Catastrophes and Climate-Related Risks](#)
- Canadian Association of Pension Supervisory Authorities (CAPSA) [Guideline for Risk Management for Plan Administrators \(Guideline No. 10\)](#)

ISAP 8 provides guidance to actuaries when performing actuarial services in connection with IFRS S2. In accordance with IAA protocol, the ASB will determine how to adopt/customize/endorse/modify/confirm (hereinafter collectively referred to as “adopting”) ISAP 8 into the SOP. As the requirements in CSDS 2 are aligned with those in IFRS S2 (other than some effective dates), modifications concerning Canadian accounting standards would not be required.

Changes under consideration

The DG is considering the following phases for changes and key considerations to the SOP, as well as guiding principles for drafting the changes.

1. **Phased approach for changes to the SOP** – The scope of ISAP 8 is limited to providing standards related to IFRS S2 (and IFRS S1 to the extent necessary for IFRS S2), whereas the DG's mandate is to consider changes “beyond those within the scope of ISAP 8.” The DG is of the view that it is preferable to incorporate climate considerations into the SOP in a phased manner. The DG anticipates that the first phase of amendments will limit the expansion of scope beyond ISAP 8 only if required because of Canadian prudential regulatory guidance that may expand upon IFRS S2. Accordingly, standards in this first phase, for mandatory or voluntary application as deemed appropriate under the work, will draw on specific requirements/expectations from the following three sources:
 - a. Accounting requirements – general-purpose financial statements – IFRS S2 and CSDS 2 set out specific disclosure requirements for climate-related risks and opportunities to be included in general-purpose financial reports related to the four key pillars: governance, strategy, risk management, and metrics and targets.
 - b. Insurance/bank regulatory guidance – Certain Canadian entities are already subject to climate-related reporting requirements under OSFI Guideline B-15, among other such regulatory requirements (e.g., the AMF's CRGM in Quebec).

² Exposure draft issued in March 2024.

- c. Pension regulatory guidance – CAPSA Guideline No. 10 outlines expectations, proportionate to the circumstances of the plan, for “implementing ESG information,”³ including reference to consideration of climate-related risks. The guideline refers to the potential use of scenario analysis for climate-risk evaluation and to CSSB and ISSB as “helpful resources” for disclosure. OSFI has stated that it expects federally regulated pension plans to follow Guideline No. 10⁴.
2. **Core-content pillars** – Considering forthcoming comments to this NOI, the DG envisions the standards will reflect suitable varying levels of detail related to the four key pillars of IFRS S2/CSDS 2 cited above. The DG is anticipating greater emphasis on scenario analysis and disclosures related to “climate resilience” in IFRS S2/CSDS 2 and aspects of enterprise risk management in prudential regulatory guidance.
3. **Reliance on others** – The complexity of climate change may result in the actuary needing to place a relatively higher importance on the reliance on the work of others as compared to more traditional actuarial practices. Hence this issue is highlighted in this NOI to emphasize the importance of members’ input on the application of this requirement in Part 1000. The DG plans to address the issue of the level of understanding the actuary should obtain for underlying climate/energy system/macroeconomic models, such as integrated assessment models and catastrophe (cat) models, and the expectations for actuaries related to the issue of reliance on others, especially for models outside of typical actuarial expertise.
4. **Guiding principle – standards versus guidance** – Guidance and/or practice resource documents will be part of the effective rollout and implementation of the changes to the SOP on related to climate-change issues. Accordingly, the DG will coordinate closely with other CIA councils/committees, as applicable.
5. **Guiding principle – specificity** – There is a continuum of the degree to which the actuary can be considered a subject-matter expert (SME) in various aspects of climate change. The DG proposes that the principle of the specificity in the SOP be commensurate with the degree to which the actuary is considered to be the SME, including from the perspective of more specificity for functions typically viewed to be of an actuarial nature as opposed to roles for which the actuary may idiosyncratically have responsibility, such as business strategy.

Timeline

The ASB aims to publish an exposure draft of potential changes to the SOP shortly after ISAP 8 is released in its final form, which is expected in 2025. The timeline will ultimately depend on the feedback received.

Desired feedback

The DG and ASB are soliciting feedback on this NOI from members of the CIA and any other interested parties.

Feedback is welcomed on the proposals described above and on the following questions:

³ Environmental, social and governance.

⁴ <https://www.osfi-bsif.gc.ca/en/supervision/pensions/administering-pension-plans/guidance-topic/letter-administrators-federally-regulated-pension-plans-regarding-capsas-risk-management-guideline>


1. Do you agree that amendments to the SOP for climate change are needed? If no, please explain why. If yes, please provide any of your views on:
 - a) What modifications, if any, should be made to the ISAP 8 exposure draft (released on December 2, 2024) for purposes of incorporating provisions into the SOP; and
 - b) Application of ISAP 8 (with or without modifications per 1.a) above) to various practice areas (i.e., Parts 1000-8000).
2. Is the scope the DG is proposing for the initial phase of amendments to the SOP appropriate? Should the scope be expanded to cover use cases beyond requirements associated with adopting ISAP 8 (in support of IFRS S2/CSDS 2) and the OSFI/AMF/CAPSA guidance cited above? If so, what use cases?
3. Are any of the proposed guiding principles in changes under consideration and/or the timeline inappropriate? If yes, please explain.
4. Do you have any other comments (including stakeholders the DG should consult during the exposure draft phase) that the DG should consider? If so, please share.

Please send comments **by March 31, 2025**, to DG Co-Chairs Karen Lockridge at klockridge@caatpension.ca and Steve Easson at seassonf86@outlook.com, with a copy to StandardsConsultationNormes@cia-ica.ca. The DG intends to conduct other outreach and host webcast(s).

The members of the DG are Jean Blanchette, Claudette Cantin, Renée Couture, Louis Doiron, Steve Easson (co-chair), Michelle Garshon, Charles Lemieux, Karen Lockridge (co-chair), Raul Martin and Lisa Zwicker.

ASB due process was followed in the drafting of this NOI.

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