Institute
and Faculty
of Actuaries

Professor Carol Adams
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Durham DH1 3LB

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Dear Professor Adams

Thank you for the opportunity to provide feedback on the 'Recommendations for SDG Disclosures'. We welcome the recommendations and commend Paul Druckman, Russel Picot and yourself for developing a framework that will support organisations to improve their ability to report progress achieved against the UN's Sustainable Development Goals (SDGs). As this consultation is focused on the accounting profession, the Institute and Faculty of Actuaries (IFoA) is not best placed to address the specific questions posed; however there are parallels and overlap between our professions, and so we set out some general insights from an actuarial perspective for your consideration through the review process.

I am responding on behalf of the IFoA. The IFoA is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide and oversee their education at all stages of qualification and development throughout their careers. Actuarial science is founded on mathematical and statistical techniques used in insurance, pension fund management and investment. Our members provide commercial, financial and prudential advice on the management of assets and liabilities, particularly over extended time horizons. This long-term view is reflected in our approach to analysing policy developments.

We believe your proposed framework will enhance corporate reporting and improve the quality of information for the benefit of investors and other stakeholders. The framework should help direct capital within the financial sector toward projects and organisations that support sustainable development, rather than to those that undermine it. We also note the parallels between the framework and the TCFD recommendations, of which the IFoA is also a strong advocate.

The IFoA recognises the importance of the SDGs as a set of goals to improve global sustainability and the transformative effect that achieving them will have on the lives of all people. The IFoA is working with its members to consider the ways in which they can leverage their skills and expertise within the broader financial sector to promote progress towards the goals.

Standardised disclosures

There are goals that effectively apply to all organisations. For these goals, we would encourage the development of standardised disclosure of relevant metrics. This would promote better quality, more consistent disclosures. For example, paying the minimum or living wage could be included as a standard metric when reporting on goal 8 – decent work and economic growth. Organisations that fail to report against the core metrics should be encouraged to explain why they felt it was appropriate not to do so. This will encourage greater consideration of the goals and whether an organisation should seek to better align its strategy and practices to them.

Further, your recommendations could articulate on an industry-by-industry basis which goals represent the expected minimum level of reporting. Individual organisations could then enhance their reporting by disclosing against additional goals that are relevant to their operations. As with the core metrics, organisations that fail to report against the minimum expectation for their industry should be encouraged to explain why they felt it was appropriate not to do so. A template for best practice that include some further categories over and above minimum expectations could also be developed.

We acknowledge that the materiality of the SDGs will vary by organisation. We note that the Sustainability Accounting Standards Board has one such materiality map for ESG risks. You may wish to develop your own templates or encourage others to do so.

Risk and risk mitigation

We consider there to be a gap around risk and risk mitigation within the recommendations. Business strategy typically focuses on median or expected outcomes. However, protection or improvement for some SDGs will be due to the mitigations or insurances against tail risks and unexpected outcomes. For example, protections or fail-safes against dams or other industrial failures, that otherwise lead to pollution or destruction. Whilst proactive companies are likely to seek credit for the work that they have undertaken, all companies should be requested to disclose how they approach risk mitigation and controls. This would hopefully help raise standards for all.

There are also systems-thinking questions on the application of culture within an organisation, for example:

- Does an organisation understand its own system culture and incentives?
- Does its internal reward culture reinforce or detract from its SDG ambitions?
- Do its incentives magnify or mitigate the tail-risk hazards?

We have not yet worked through how such risks could be mapped and quantified but there may be some actuarial tools and techniques that are used in the insurance sector which may be helpful. If it would be helpful, we would be happy to arrange to discuss these with you in more detail.

Lobbying activity

The impact of an organisation’s lobbying activity and the extent to which this influences progress achieved against the goals is not captured within the recommendations. Encouraging organisations to audit this type of activity would help to understand whether there is dysfunction between an organisation’s lobbying activities and the aims of the goals. For example, do they fund any lobbying activity that campaigns for the lowering of, or the erosion of, labour or environmental standards?

As mentioned above, we would be very happy to arrange a meeting explore any of these points further if it would be beneficial. Should you want to discuss this, or any of the other points raised, please contact Faye Alessandrello, Policy Manager (faye.alessandrello@actuaries.org.uk)

Yours Sincerely,

Simon Jones
Chair of the Resource and Environment Board
Institute and Faculty of Actuaries