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AAE WORKING GROUP SUSTAINABILITY AND CLIMATE-RELATED RISKS (SCRR)

TERMS OF REFERENCE

AIM

The aim of the SCrR Working Group is to:

- Promote the relevant actuarial and risk management approaches in climate-related financial risk management with impact on the sustainability of insurance, pension funds or public / social security schemes, their reporting and external disclosures.
  Given the focus of the current discussions in Europe on climate-related risks, also this working group will focus on this area, but where relevant or needed also will extend to broader, general environmental aspects and include social and governance aspects as well.
- Assist the relevant European stakeholders in classifying investment instruments and insurance products by ESG criteria defining an adequate, consistent and evolutive taxonomy and support the development of suitable rating criteria.
- Assist the relevant European stakeholders in selecting climate-dependent risk scenarios and applying them to the appropriate risk management methods to assess physical and transition risks in insurance, pensions and public / social security schemes activities. Considerations include the interrelation between risks and impacts of mitigation / adaption measures.
- Assist, where appropriate, in responding to modifications in regulatory / reporting / disclosure requirements and systems that arise from changes in the outlook or in the strategy to control or mitigate the evolution of climate-related risks – e.g., proposals from the European Commission and the European Supervisory Authorities.
- Monitor emerging information and key indicators on climate change and regularly assess how it will impact financial and insurance underwriting risks and solvency positions.
- Monitor developments on mitigations and transition steps undertaken, in order to identify corresponding effects on society and on industry business models, with special reference to maintaining access to equitable risk pooling.
- Provide educational material on current and future impacts on categories of assets and insurance portfolios of various climate-related risk scenarios. Scenarios assessed should be consistent between liabilities and assets.

- Organise at least once a year a webinar, roundtable or conference that is targeted to facilitate the exchange of information and a wider discussion on the topic with our stakeholders (such as, but not limited to, European Commission, Members of European Parliament, European Supervisory Authorities and National Supervisory Authorities).
- The SCrR will align, compare notes and where sensible, work together with the Climate Task Force of the IAA

GOVERNANCE

- The SCrR Working Group reports to the Risk Management Committee.
- The Chairperson of the Risk Management Committee is the first point of contact for the SCrR Working Group as well as with the Board.
- Chairperson of the working group is the Vicechair of the Risk Management Committee, Vice Chairpersons of the working group are the Vicechairs of the Insurance and Pensions Committees.
- Membership is open to representatives of member associations of the AAE and is not restricted to one representative per member association.
- Interested individuals may also participate in the work of the working group, even if not formally representing a member association.
- The Terms of reference were approved by the AAE Board of Directors on 14 July 2021.

BACKGROUND

The debate about sustainability, climate and climate change is “hot”, both politically as well as in the society at large. It is a very relevant topic to society where we as profession can contribute to the debate by delivering a holistic approach. The board wants to have a strong voice for actuaries in sustainability and climate-related issues. The current debate is often only driven by opinions without sufficient fact-based background. We can profile ourselves by communicating on facts and insights.