



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Ref: 21/23
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Transmitted electronically

Mr. Erkki Liikanen
Chairman
IFRS Foundation
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

**RE: Exposure Draft, Proposed Targeted Amendments to the IFRS
Foundation Constitution to Accommodate an International Sustainability
Standards Board to Set IFRS Sustainability Standards**

Dear Mr Liikanen:

The International Association of Insurance Supervisors (IAIS) welcomes the opportunity to comment on the IFRS Foundation Exposure Draft, *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards* (ED).

As noted in our statement submitted to you on 17 December 2020 in response to the IFRS Foundation Trustees' consultation paper on sustainability reporting, the IAIS welcomes the proposal to establish an International Sustainability Standards Board (ISSB) to contribute to the development of global sustainability reporting standards. The insurance industry is likely to be significantly impacted by climate change and other sustainability issues. As the global standard setting body for insurance supervision, the IAIS is very supportive of the formation of the ISSB to allow for a globally accepted framework for reporting of the risks and opportunities associated with sustainability issues.

The IAIS has taken a leadership role on climate risk, in partnership with the United Nations-convened Sustainable Insurance Forum (SIF). The most recent product of this partnership is a comprehensive guide for insurance supervisors on how to apply the IAIS standards to the risks posed by climate change – including in the areas of risk management, investments and disclosure.¹ In 2020, the IAIS and SIF published an Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD),² aimed at raising awareness of the need for climate-related disclosures and identifying ways for supervisors to encourage strengthened disclosures. Currently, the IAIS is analysing the

¹ The Application Paper was issued in May 2021. The Paper is available [here](#).

² Available [here](#).

insurance sector's investment exposures to climate-relevant economic sectors, with the aim of assessing potential financial stability risks. Building on this expertise built over recent years, the IAIS stands ready to assist in the development of standards by providing insurance supervisory expertise, as needed.

The IAIS is supportive of the proposed changes to the IFRS Foundation's Constitution in order to establish the ISSB. We are also very supportive of the proposed strategy with respect to the ISSB, specifically: 1) investor focus for enterprise value, 2) sustainability scope, prioritising climate, 3) building on existing frameworks, and 4) taking a building blocks approach. We also support the goal of a diverse membership of the ISSB. In order to support a framework that is globally accepted, the IAIS agrees that regional diversity of ISSB membership is necessary. However, it would also be beneficial to add a cross-sectoral perspective. Sustainability and climate-related issues are likely to impact the various segments of the financial sector in different ways; for instance, the insurance sector will be significantly impacted on both the asset (investments) and liability (underwriting) sides of the balance sheet. Accordingly, our view is that including individuals with insurance sector expertise would be important in establishing reporting standards.

Finally, we understand and support that the IFRS Foundation plans to establish a multi-stakeholder expert consultative committee within the Foundation's structure to inform the standard-setting process of the new board. While we note that this falls outside of this review process (on the basis that it does not require reference in the Constitution), the IAIS believes that it is important that the insurance supervisory community is represented in this group as the insurance industry will be significantly impacted by climate change and sustainability issues.

We have provided answers to each of the four specific questions in the Consultation in the attached Annex. [We would be happy to discuss with you and your team any of these issues, including on IAIS representation.](#)

If you have further questions regarding this letter, please contact Jay Muska (tel: +41 76 350 8953; email: jay.muska@bis.org) or Hanne Van Voorden (tel: + 41 76 350 9125; email: Hanne.vanVoorden@bis.org) of the IAIS Secretariat.

Yours sincerely,



Victoria Saporta
Chair, IAIS Executive Committee

Annex

Question 1 - Do you agree that the amendments proportionately reflect the Trustees' strategic direction, considering in particular:

- (a) the proposed amendments to the objectives of the Foundation, outlined in the proposed new section 2b of the Constitution, as set out in Appendix A;
- (b) the proposed amendments to reflect the structure and function of the new board, outlined in the proposed new sections 43–56 of the Constitution, as set out in Appendix A?

While we are generally supportive of the proposed changes to accommodate the ISSB within the IFRS Foundation structure, we do have the following suggestions:

- Member diversity - it is apparent within the proposed constitutional changes that there is a commitment to achieving regional balance; however, there is no matching commitment to trying to achieve cross-sectoral perspectives. Explicit reference is made to working with other organisations / standard setters, but in somewhat broad terms. The IAIS believes that it is important for the ISSB to take on board perspectives from the different sectors of the financial system in carrying out its work, including the insurance sector. We believe having members of the ISSB with experience in insurance will be helpful, as the insurance industry is uniquely placed with respect to identifying, modelling and managing sustainability risks.

In addition, some IAIS members have shared the following concerns and suggestions:

- Number of “at large” members of the ISSB - the motivation for the proposed increase in the number of “at large” members (as compared to the nomination rules for IASB Board) as suggested in paragraph 14 (d) of the ED is not clear. Given that the geographical areas defined by its statutes are at the level of continents, it is not clear why the IFRS Foundation would not be able to attract “appropriately skilled candidates for membership of the ISSB” from each area.
- Part-time members - as highlighted in paragraph 31 of the Foundation's Constitution, the limitation in the number of part-time board members is intended to prevent the risk of conflict of interest and to guarantee the independence of the Board. Arguably, these principles should prevail over the need for flexibility advocated by the Trustees in paragraph 14 (b) of the ED. A suggestion is to limit the number of part-time board members to 3 instead of 6 as proposed in the ED, and thus to align the number of part-time workers in the IASB and ISSB boards.
- Transparent process for hiring members - although it may not be necessary to include in the Constitution, it will be important to ensure transparency and propriety of the process to select the members of the ISSB in order to secure its credibility.
- Funding - In order to establish standards for sustainability reporting, it is important to ensure sufficient funds and means of financing. Diversity is important from the viewpoint of ensuring independence and fairness in financing. As such, factors that could affect independence should be avoided, such as excessive reliance on contributions from specific jurisdictions or institutions.

Question 2 - On the potential naming of the new board and its associated standards, do you agree that 'the International Sustainability Standards Board (ISSB)' setting 'IFRS sustainability standards' accurately describes the function of the new board and its associated standards?

We agree that the name is appropriate.

Question 3 - Do you agree with this proposed consequential amendment, outlined in proposed new sections 60 and 61 of the Constitution, as set out in Appendix A?

We agree that the reporting lines are appropriate.

Question 4 - Are there any other matters you would like to raise in relation to the proposed targeted amendments to the Constitution?

We would like to propose some small editorial changes. In reviewing paragraph 2 of the constitution, (b) could perhaps benefit from some clarification and consistency with other parts of the document:

- First sentence states, "through the ISSB, to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted sustainability standards based upon clearly articulated principles." For consistency with (a) which says "globally accepted financial reporting standards", and for clarity to avoid being read as if the ISSB is being tasked with developing standards for sustainability in a very broad sense, suggest this read "globally accepted sustainability reporting standards".
- Second sentence states, "These standards should require high quality, transparent and comparable information in corporate reports to help investors and other participants in the world's capital markets in their decision-making and connect with multi-stakeholder sustainability reporting." The term "corporate reports" is not used elsewhere in the constitution and could be read to suggest reports that are more internal to an entity. Suggest this read "comparable information in corporate reporting to help investors" as "corporate reporting" is used elsewhere and seems to better reflect the intent.