July 29, 2022

To
Emmanuel Faber (Chair) and Sue Lloyd (Vice Chair)
International Sustainability Standards Board (ISSB)
International Financial Reporting Standards (IFRS)
Columbis Building 7 Westferry Circus
Canary Wharf,
London E14 4HD
UK

Re: Comment by Oxfam International on the IFRS S2 climate-related disclosures exposure draft

Dear Mr. Faber,

Oxfam International (Oxfam) writes in response to the release of IFRS’ S2 climate-related disclosures exposure draft. We applaud the decision to introduce rules on climate-related financial disclosures. Our comment applauds the ISSB to set the bar for companies and countries to emulate its model for adoption. We also offer recommendations on how the ISSB could improve the Exposure Draft. Thank you for reviewing our comment.

I. Oxfam’s Organizational Interest

Oxfam is a global organization working to end the injustice of poverty by leading humanitarian responses to conflicts and disasters, building resilience, and supporting local organizations that develop the capacity of poor communities to grow nutritious food, access land and clean water, and obtain decent work and fair wages. Oxfam also tackles the systems, policies, and practices that keep people trapped in poverty by advocating for human rights, climate justice, gender justice, the dignity of survivors of conflicts and disasters, and against inequities in the food chain.1

Like many stakeholders, Oxfam plays multiple roles. We frequently advocate for improvements in disclosure and oversight of various social and environmental issues that help companies improve their

1 Oxfam America website, https://www.oxfamamerica.org/about/
financial prospects through sustainability and long-term value. Because Oxfam engages with communities in more than 60 countries, we bring to the table information from the ground up regarding adverse human rights and environmental risks and on the global and national-level context in which companies are operating. Our organization holds shares in numerous companies, acts as a human rights and environmental risk advisor to firms with impact and ESG investing strategies, and supports other stakeholders in the advancement of human rights and economic development objectives. Importantly, our employees through their pension plans hold shares in publicly listed companies and we are concerned about the health of their retirement savings.

Oxfam wholeheartedly supports the ISSB’s exposure draft to craft climate specific disclosure rules to address the risk climate change poses for companies and investors. We believe that the ISSB’s efforts to maintain an effective climate-related disclosure global regime for companies is necessary and appropriate for the protection of investors and in line with public interest. The latest Intergovernmental Panel on Climate Change (IPCC) report underscores that climate change is not a future threat but a present emergency and its scale and severity continues to increase.\(^2\) If insufficient action is taken to meet the Paris Agreement targets, the global economy could shrink by 10% in the next 30 years and shrink global wealth significantly by 2050.\(^3\)

II. Summary

The ISSB is aimed at creating a disclosure regime that is consistent, comparable, reliable, and decision useful. In that respect, Oxfam supports the ISSB’s efforts to hit the ground running by developing a comprehensive global baseline of climate related disclosures for the capital markets. An overwhelming volume of evidence demonstrates that climate change and the accompanying natural disasters significantly alter the financial landscape for companies, and that those businesses that are transparent about the physical and transition risks better equip shareholders to determine the financial impact of investing in companies. Investors already recognize the financial implications of climate change, with some of the world’s largest asset managers like BlackRock and State Street Global Advisors (SSGA) calling upon the private sector to increase climate disclosure and hinting at using their power as shareholders to enhance climate-related financial disclosures.\(^4\)

Oxfam recommends, however, that the ISSB further improves certain facets of the exposure draft with stronger disclosures, including (1) ensuring that emissions disclosures (Scope 1, 2, and 3 greenhouse gases) are subject to verification (2) disclosing alignment of climate lobbying positions with Paris Agreement, and (3) ensuring that just transition disclosures are included in transition planning.

III. Investors will derive significant benefits from such disclosures


Firstly, the ISSB exposure draft is not taking place in a vacuum. Given the significant and sweeping risks to the global economy, many countries are taking action to regulate companies on climate-related risks and opportunities from their operations. The cost of compliance for companies will be far lower than it would otherwise be if the ISSB were acting alone, as many companies will be required by countries to collect such information. In the US, regulatory agencies including the Securities and Exchange Commission, the Commodities Future Trading Commission (CFTC), the Federal Deposit Insurance Corporation (FDIC), the National Highway Transport and Safety Administration (NHTSA), the Department of Labor (DoL) and the Department of Treasury’s Office of the Comptroller of the Currency (OCC) are taking action to address climate-related financial risks to the US economy. The European Commission’s Corporate Sustainability Reporting Directive, which was adopted in April 2021, would strengthen reporting requirements that were previously laid out in the Non-Financial Reporting Directive. Over 200 countries have committed to align with the Paris Agreement, implying that companies should be prepared for stricter regulations. Both the United Kingdom and New Zealand have also implemented mandatory disclosure regimes for companies.

The increase in frequency and severity of climactic events makes understanding its impacts all the more significant for investors. Investors have little information about companies’ activities to respond to financial risks stemming from the effects of climate change on business operations. Current company disclosures are not consistent, reliable, or comparable across any given industry inhibiting investors from making effective assumptions and assessments about a company’s long-term financial performance in relation to industry peers. Many times, investors must rely on costly third-party data providers to source data that the companies should be providing. ERM conducted a cost-benefit analysis in 2022 and disclosed that currently investors on average spend $1.3 million to collect, analyze, and report climate data that is helpful in informing their investment decisions. Further, data from third parties are not free from inconsistencies. There is substantial research that highlights gaps in assessment and alignment of different ESG data providers. In addition, the data can be spotty and fundamental disagreements about the underlying data can result in divergence in ratings among the

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data providers.\textsuperscript{11} Rating discrepancies add to market inconsistencies and can impact business judgement.\textsuperscript{12} Quality data is critical for investment analysis, and the company is the best source for that data. Even for companies that have lacked transparency and would initially feel the burden of complying, the cost will decrease over time as institutional knowledge increases.

There is substantial evidence demonstrating the need for, and the benefits of disclosing climate-related financial risk information and metrics. For example, according to the US CFTC of the Market Risk Advisory Committee, the benefits of climate-change disclosures to companies stem from the improved ability:

(i) to identify, assess, manage, and adapt to the effects of climate change on operations, supply chains and customer demand;
(ii) to relay risk and opportunity information to capital providers, investors, derivatives customers and counterparties, markets, and regulators; and,
(iii) to learn from competitors about climate-related strategy.\textsuperscript{13}

These benefits become more significant to companies as the world increasingly prioritizes lower emissions. As Michael Bloomberg stated, “[w]ithout reliable climate-related financial information, financial markets cannot price climate-related risks and opportunities correctly and [companies] may potentially face a rocky transition to a low-carbon economy.” Research bears out the financial benefits that accompany such disclosures. In the days following disclosure on climate change risks, for example, “(t)he disclosing firm’s stock price increases by 1.12% (on a market-adjusted basis). This suggests that investors value higher transparency with respect to climate change risks and that disclosure tends to benefit disclosing companies.”\textsuperscript{15}

While a subset of companies with high emissions may contend that climate disclosure will hurt them, that is grounded in uninformed self-interest. This is because “managers and directors of companies will often make decisions based on incomplete information and imperfect heuristics about the risks that they face....Managers and directors may have...short-term incentives to boost quarterly earnings....Taken together, cognitive biases and mismatched incentives can result in managers underestimating or failing to foresee the risks that climate change poses for the long-term fiscal well-being of their companies.”\textsuperscript{16} Climate change could cut 11-14% of global economic output or $23 trillion in reduced annual global economic output by 2050.\textsuperscript{17} Recent estimates from the National Oceanic and Atmospheric Administration (NOAA) indicate that the United States has experienced over $50 billion in total costs from extreme weather events between 2015 and 2019.\textsuperscript{18} Weather related events between

\textsuperscript{14} See Michael Bloomberg speech at the One Planet Summit in France in October 2020 at https://www.oneplanetsummit.fr/en/coalitions-82/task-force-climate-related-financial-disclosures-tcfd-180
\textsuperscript{18} See National Oceanic and Atmospheric Administration overview at https://www.ncei.noaa.gov/access/billions/
1980-2020 cost the Eurozone between EUR 450-520 billion.\textsuperscript{19} Moving forward, climate related weather events could negatively impact the credit ratings of over 60 countries by 2030.\textsuperscript{20}

IV. ISSB’s exposure draft can set a higher bar for sustainability disclosures

A. Emissions disclosure must be subject to verification of the disclosures

Oxfam applauds the ISSB for considering asking companies to disclose Scope 1, 2, and 3 greenhouse gas (GHG) emissions in gross value and by intensity as per Paragraph 21. Doing so would ensure that companies are more transparent about their purchased or generated offsets, enabling investors to assess the financial risks stemming from those offsets. Offsets in some cases do not create an absolute mitigation benefit from a climate change perspective.\textsuperscript{21} Moreover, the quality of offsets are also an underlying concern which can result in material risks for investors and can threaten the functioning of a fair, orderly, and efficient capital market as prices for such offsets can plummet, impacting any investment product that is pegged to it.\textsuperscript{22} Furthermore net zero targets can be a little more than a greenwashing exercise to enable the continuation of business as usual.\textsuperscript{23} A study of climate strategies by 25 companies reveals that while almost all of them have net zero or carbon neutral targets, only three of them have made deep decarbonization commitments.\textsuperscript{24} Net zero commitment must be broken down into distinct targets for reductions and removals.\textsuperscript{25} These disclosures would ensure that companies reconsider and possibly refrain from setting vague net zero targets that do little to reduce carbon emissions and reduce underlying risks associated with those emissions.

Oxfam will lend unequivocal support for ISSB’s efforts to mandate disclosure for all scopes, \textit{though we urge the ISSB to include in its disclosures’ information on whether a company undertakes attestation and reasonable assurance for Scope 1, 2, and 3 emissions disclosures}. Attestation and reasonable assurance give investors and other market actors confidence that the information the company is reporting is reliable and based on realistic assumptions. It is important for a third party to verify and challenge the company process, standardization, and inputs used in emissions calculations to test those estimates. In 2020, the US Government Accountability Office uncovered several instances where companies used different definitions or calculations for the same topics, particularly when it came to climate disclosures.\textsuperscript{26} Attestation and reasonable assurance will ensure that reliability will play a critical role in assessing and enforcing rigorous sensitivity analyses.


\textsuperscript{23} Id.


B. ISSB should require disclosures on the degree of alignment between company lobbying activities and climate action

The draft is silent on companies’ climate lobbying positions’ disclosures and alignment with the Paris Agreement. Evidence suggests that company talk is not on par with action. Three-quarters of S&P 100 companies are members of the U.S Chamber of Commerce, which has actively fought climate change policy reforms, with only 7 percent disclosing on how they challenged the Chamber to change its position on climate change. Since 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in November 2021 (COP26), companies have made a slew of commitments to reduce their emissions. Yet in 2019, InfluenceMap revealed that the five largest publicly traded oil and gas companies — BP, Chevron, ExxonMobil, Shell, and TotalEnergies — invested more than $1 billion into "misleading climate branding and lobbying" in the three years following the Paris Agreement. In 2021, an Exxon lobbyist was caught on tape describing the company’s aggressive fight to scale back climate provisions in US President Joe Biden’s infrastructure bill, including meeting with US Senators. In addition, a Ceres report found that companies actively lobbied against science-based climate policies for oil and gas majors and some of the companies’ lobbying activities run counter to their internal emissions reduction goals. The inconsistencies between company public positions on climate and company action via lobbying are not only common in the fossil fuel sector; agriculture and food and beverage companies have also undermined efforts to develop climate policies by lobbying government officials or releasing research that minimizes the climate change impacts of the industry.

The financial implications of such inconsistencies can cost investors dearly, especially as companies are ill-prepared to deal with the physical and transition risks stemming from climate change. Many investors are aware of that. In 2017, nearly 400 investors representing nearly $22 trillion in AUM wrote to G7 and G20 nations urging them to urgently put in place policies to achieve their nationally determined contributions (NDC) in alignment with the Paris Agreement. In 2021, a survey conducted by Institutional Shareholder Services revealed investors growing concern with companies’ climate positions and actual action; almost 50% of investors in the survey believe that companies’ lobbying activities should align with the Paris Agreement.

As governments implement policies to address the climate crisis, it is key that companies do not act as a roadblock and inadvertently worsen the impacts of climate change. The financial risks stemming from climate change will reverberate across multiple sectors, causing spillovers and creating feedback loops resulting in contagion across various portfolios and asset classes simultaneously. Larry Fink, CEO of

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33 CDP. (2017, July 3). Nearly 400 global investors (managing more than $22 trillion in assets) urge G20 to stand by Paris Agreement and drive its swift implementation. https://www.cdp.net/en/articles/media/nearly-400-global-investors-urge-g20-to-stand-by-paris-agreement
Blackrock, Inc. has also reiterated these concerns in his 2020 annual letter to CEOs and shareholders. In it, he underscored that:

The evidence on climate risk is compelling investors to reassess core assumptions about modern finance. Research from a wide range of organizations—including the U.N.’s Intergovernmental Panel on Climate Change, the BlackRock Investment Institute, and many others, including new studies from McKinsey on the socioeconomic implications of physical climate risk—is deepening our understanding of how climate risk will impact both our physical world and the global system that finances economic growth.

These questions are driving a profound reassessment of risk and asset values. And because capital markets pull future risk forward, we will see changes in capital allocation more quickly than we see changes to the climate itself. In the near future—and sooner than most anticipate—there will be a significant reallocation of capital.\(^\text{35}\)

In the US, in the past two years investors have ramped up efforts asking companies for more transparency on climate lobbying. 2020 was the first-year investors started filing climate-specific lobbying resolutions that requested companies to disclose lobbying efforts and/or the degree of alignment with the Paris Agreement. Though only 4 resolutions were filed that year, they received 33% investor support.\(^\text{36}\) Since then, climate lobbying resolutions have gained increased momentum.\(^\text{37}\) In 2021, 20 resolutions were filed and 13 went to vote and averaged 47% support (some of them were withdrawn).\(^\text{38}\) That year, six lobbying resolutions won majority votes, including two at Exxon and one at Phillips 66, one of the largest publicly traded downstream and midstream petroleum companies in the US.\(^\text{39}\) Since last year, the resolutions filed have more than doubled; in 2022 46 climate-related lobbying proposals have been filed with 21 seeking proof that a company’s climate lobbying is aligned with the Paris Agreement.\(^\text{40}\) Of those filed, to date 18 have been withdrawn after companies negotiated agreements with investors.

The reason investors have resorted to such action is because of the companies’ inconsistent positions. In its 2022 Guidance on Climate-Related disclosures, SsGA identified that when evaluating climate related shareholder proposals, it considers “[i]f the company performed a gap analysis of its stated positions on climate change versus those of its trade associations.”\(^\text{41}\) Climate Action 100+’s assessment notes that 81% of the companies on the organization’s focus list (166 total companies) are part of one or more trade associations that lobby against climate legislation. The group, one of the largest US investor networks on climate representing over $65 trillion AUM, issued a Net Zero Company Benchmark that includes recommendations on how companies should establish a reporting mechanism to ensure that


\(^{36}\) Data sourced from proxy insight at https://www.proxyinsight.com

\(^{37}\) Id.

\(^{38}\) Id.

\(^{39}\) See also, Kirsty Jenkinson, Investment Director, California State Teachers’ Retirement System and Aeisha Mastagni, Portfolio Manager, California State Teachers’ Retirement System, Comments on Climate Change Disclosures, June 4, 2021, 3, https://www.sec.gov/comments/climate-disclosure/c112-8888208-240907.pdf


investors know that both the company and all its trade associations are lobbying in a manner that is consistent with the goals of the Paris Agreement.\textsuperscript{42}

In 2022, investors representing more than $130 trillion published a new standard, the Global Standard on Responsible Climate Lobbying, in light of the misalignment between what companies are saying on climate and actually doing.\textsuperscript{43} The Global Standard on Responsible Climate Lobbying has attracted almost 4,000 signatories and members.\textsuperscript{44} Investors such as BNP Paribas Asset Management and the Church of England Pension Board both helped develop the plan.\textsuperscript{45} Oxfam believes that the company standards under Responsible Climate Lobbying can act as the stern for the ISSB. It explicitly asks companies to:

- Align all of [their] climate lobbying with best practice\textsuperscript{46}
- Prioritise and publish an annual review of how [they] are lobbying responsibly in support of ambitious climate policy\textsuperscript{47}

Investor’s lack of clarity with and alignment on a company’s climate change related goals, targets, and climate action plans can impact their modeling and evaluation as they assess climate risks. Oxfam specifically asks that the ISSB to consider requiring companies to address the alignment between a company’s climate strategies and goals and its political and public engagement. We also request that companies be asked to conduct a gap analysis to enable investors to assess the inconsistencies.

C. The ISSB should ask for disclosure on company efforts to ensure a just transition

i. Investor support for a just transition

For climate change, “a successful transition — one that is just, equitable, and protects people’s livelihoods — will require both technological innovation and planning over decades,”

Larry Fink, CEO of Blackrock, Inc.\textsuperscript{48}

Over the past five years, there has been growing recognition among investors about the dangers posed to their portfolios by companies not considering the just transition impacts of climate change. Concerned about the rising climate-related financial just transition risks, a growing number of investors are reaching out to companies to ensure that just transition is a consideration when assessing financial risks stemming from a transition to a low carbon economy. In February 2022, 96 investors with almost $3.8 trillion AUM published a statement of expectations for a just transition that highlighted among other things, community impacts.\textsuperscript{49} Elsewhere, a letter coordinated by the Principles for Responsible


\textsuperscript{43} About Responsible Climate lobbying: The Global Standard. https://climate-lobbying.com/

\textsuperscript{44} Id.


\textsuperscript{47} About Responsible Climate lobbying: The Global Standard. https://climate-lobbying.com/

\textsuperscript{48} See BlackRock CEO’s 2021 Letter to CEOs at https://www.blackrock.com/corporate/investor-relations/2021-larry-fink-ceo-letter

Investment that included 161 investors representing $10.2 trillion in AUM underscored their commitment to support just transition, which among other things, highlights that “[t]he responsible management of workforce and community dimensions of climate change are increasingly material drivers for value creation.”

Leading initiatives have been launched over the past two years by investors to assess company financial risks stemming from not only environmental externalities but also social ones resulting from the transition to a low carbon economy. The latest among these efforts include the Glasgow Financial Alliance for Net Zero (GFANZ) which laid the groundwork during COP26. In its 2021 report, GFANZ stated that it would consider “approaches to responsibly retire carbon-intensive assets in a way that maximize real world decarbonisation using science-based targets, whilst seeking to minimise social and economic damage.” The G7 Impact Taskforce, which includes investors such as BlueOrchard and Schroders, committed to ensure that the “just transition” represents much more than another lens for investment strategies. The World Benchmark Alliance (WBA) launched in 2021 includes an assessment of 450 companies that operate in high carbon emitting sectors on their efforts toward ensuring a just transition. As the impacts of transition are becoming more visible and known, Climate Action 100+ has also added just transition while assessing companies on climate change.

Some investors have also initiated a warning shot to companies for failing to consider just transition as a risk in transition planning. For instance, in May 2022, along with the WBA, Newton Investment Management and NinetyOne sent letters to 100 oil and gas companies to, among other things, consider the needs of its employees and the frontline communities who will be impacted by an industry-wide transition to a low-carbon economy and have stated that they intend to follow-up the letter with company dialogue. Additionally, Collective Impact Coalition (CIC), a multi-stakeholder effort led by the WBA will aim to tackle the failure by oil and gas companies to “identify, prepare for and mitigate the social impacts of their low-carbon strategies”. The growing support among investors for ensuring that companies are transparent about their plans for a just transition demonstrates that shareholders consider this important information, and that the absence of such disclosures may pose a serious financial risk.

### ii. The regulatory context is changing and companies that are preparing for a just transition will be ahead of the curve

As increasing regulation becomes the norm, it will become more important for investors to know how companies are preparing themselves for the transition to a low carbon economy. Just transition has already moved into the mainstream with increasing investor demand for company disclosure.

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50 See Statement of Investor Commitment to Support a Just Transition on Climate Change at [https://www.unpri.org/download?ac=10382](https://www.unpri.org/download?ac=10382)
52 The Impact Taskforce brings together 120 leading voices from the worlds of business, investment and public policy, representing over 100 institutions across 40 countries. More about the Impact Taskforce is available at [https://www.impact-taskforce.com/about/](https://www.impact-taskforce.com/about/)
During COP26, governments committed to consider “the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities” as part of the Paris Agreement. At Glasgow half a dozen initiatives were introduced to tackle just transition, including the Climate Investment Funds initiative to provide support to, in the first phase, India, Indonesia, the Philippines, and South Africa, in their efforts to ensure a just transition away from coal which was endorsed by G7 members. Companies that are lagging behind on including just transition best practices in transition planning will bear the financial costs as regulatory efforts could be underway in these countries (either by their own will or because of pressure from other countries and stakeholders to develop policies and practices related to accelerating a just energy transition). Almost all countries receive a significant amount of foreign direct investment from a multitude of international investors, including US investors. Trade and arbitration agreements overseeing foreign direct investments may contain provisions forcing just transition actions. Additionally, in the run up to or at COP26, some countries pre-emptively drafted regulations and policies meant to counter the threat of an unjust transition.

In 2020, the European Parliament approved the European Green Deal, which requires the EU to “reach net-zero greenhouse-gas (GHG) emissions by 2050; decouple economic growth from resource use; and leave no person and no place behind.” These requirements have informed the development of the Sustainable Finance Disclosure Regulation (SFDR)’s social taxonomy, which consists of three objectives to address impacts on different stakeholders, including workers, consumers, and communities. Though the social taxonomy is distinct from the environmental taxonomy, the European Parliament is exploring ways to integrate the two that would accentuate the interrelation between social and environmental impacts of corporate action and financial decision-making.

In the last few years, just transition actions have been taken by US policy makers as well. In 2021, a just transition bill was introduced in Congress. Since his time in office, US President Biden has introduced multiple Executive Orders in response to the climate crisis that also address managing a just energy transition for Black Indigenous and People of Color (BIPOC) communities. At the state level, California Governor Gavin Newsom signed an executive order in 2020 outlining a just transition for Black Indigenous and People of Color (BIPOC) communities.

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57 About Climate Investment Funds: https://www.climatelnvestmentfunds.org/news/cif-highlights-cop26
59 See climate Watch’s National Determined Contribution’s tracker at https://www.climatewatchdata.org/2020-ndc-tracker
The success of California’s efforts can serve as a roadmap for other US states to follow suit. Colorado and New Mexico also recently passed just transition legislation in 2019.65

Elsewhere in the UK, in 2020, banks, investors and other financial institutions including institutions such as Legal & General Investment Management, Aviva Investors, HSBC and Barclays urged the British Government to “make the just transition a core element of implementation of the government’s Net Zero Strategy that could prompt regulation.”66

Ultimately companies that do not anticipate the potential for regulation will face severe headwinds as the global transition to a low carbon economy moves full steam ahead.

iii. In the absence of a just transition, the financial risks associated with social impacts pose significant cost burdens on companies

Ignoring the broader social risks that stem from ignoring the transition to carbon neutrality can present significant financial costs.67 Knowing that companies are planning for a just transition, and disclosing those plans to investors, can be of material importance and those that will help them to decide whether such issues can pose long-term risks to investment portfolios. BlackRock identified that “companies that position themselves to navigate a strategic, timely, and just transition toward net zero, including considerations of broader stakeholder impacts, are those more likely to avoid operational disruptions, secure the support of their key stakeholders, and provide shareholders with durable investment returns.”68 Even the industry group International Capital Market Association recognizes the risk that not acting towards a just transition poses recommending that “where a transition may have negative impacts for workers and communities, issuers should outline how they have incorporated consideration of a ‘just transition’ into their climate transition strategy, and may also detail any ‘social’ expenditures that are considered relevant within the context of transition finance.”69

Financial risks from this coming social and economic transition are real and are likely to reverberate across the economy. The WBA’s Just Transition Assessment 2021 highlights the lack of preparedness by companies to deal with the risks stemming from a societal transition and further goes on to state that “[t]he risk of leaving many behind is high and can have momentous impact on supply chains and energy access.”70 Elsewhere Professor David J. Doorey of York University in the United Kingdom documented

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65 For Colorado, CO HB1314: Just Transition From Coal-based Electrical Energy Economy was signed in May 2019 and is available at https://www.billtrack50.com/BillDetail/1114411 and for New Mexico’s Energy Transition Act was signed in March 22 and is available at https://www.dws.state.nm.us/ETA
that “[a] just transition envisions an active state using law to tame market forces, which if left unchecked, could produce environmental and economic catastrophe.” Thus, government action is necessary to ensure that investors are protected from companies that may try to hide information about their lack of preparation for a just transition. Companies that do not ensure a just transition are at risk of litigation and operational disruptions.

1. Litigation Risks

Companies that fail to disclose information related to the social and environmental impacts of their climate footprint are exposed to increasing litigation, jeopardizing shareholders’ investments. In countries where legislation is absent, stakeholders are using litigation to compel action. A successful lawsuit could prompt governments to either regulate companies or to fast track any reform measures to ensure a just transition. As the space is evolving, companies can face an increasingly complex legal ecosystem where stricter climate change policies and harsher penalties for inaction could become the norm. Failure to ensure a just transition could be potentially very costly for companies, especially laggards on just transition, and incur legal liabilities.

Costly litigation challenging companies that have failed to adapt to consider the voices of those most impacted by the just transition include, are not limited to:

- **The legal battle by Eversource to build the new power line (The Northern Pass):** The planned 1,090 megawatt high voltage direct current transmission line would interconnect from the Québec-New Hampshire border in Canada to Franklin, New Hampshire in the United States. However legal challenges brought upon by frontline communities have resulted in the New Hampshire Supreme Court rejecting the company’s appeal to obtain a siting permit. New Hampshire’s Site Evaluation Committee denied a permit for the project in Feb 28 “question[ing] the project’s promised benefits and worried about the impact it would have on rural communities.” The company decided to pull the plug after this decision citing in its SEC filing that “the construction of Northern Pass was not probable.” Had the company undertaken a thorough impact assessment early on and ensured Free Prior and Informed Consent (FPIC), the company may not have lost an approximate $240 million pre-tax impairment charge.

- **Legal challenges posed against Perpetua Resources:** The challenge is coming from the Nez Perce Tribe from a legacy project alleging that Perpetua Resources (formerly Midas Gold) violated the US Clean Water Act with its early exploration activity on the site beginning in 2009. Both parties have agreed to explore Alternative Dispute Resolution (ADR) options.

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74 Id.
75 Id.
76 Id.
77 Id.
78 Id.
79 See Perpetua resources Corp. Form 10-K SEC filing for the year ended 2021 at https://www.sec.gov/Archives/edgar/data/1526243/000110465922035631/ppta-20211231x10k.htm
ADR process continues, the company is awaiting approval for an open-pit gold mine project in the same Stibnite-Yellow Pine district in the US state of Idaho that will mine for antimony which could be critical to manufacturing the high-capacity liquid-metal batteries necessary for transitioning to clean energy.\textsuperscript{80} Energy security interests defined by the Biden administration in the US under the conduit of national security could signal the potential that the project is approved.\textsuperscript{81} The project threatens the local fish populations and raises increasing pollution concerns. Moreover, the technology is untested and hence there is no guarantee of its effectiveness to power battery technology. While it is unclear whether legal avenues will be explored by affected communities, ADR itself costs the company and in turn investors’ money, and the potential for litigation remains.

- **Suspension of Tahoe Resources, Inc.’s license over FPIC concerns**: Guatemala’s Supreme Court suspended Tahoe Resources, Inc.’s license in 2018 after an anti-mining group filed a claim against Guatemala's Ministry of Energy and Mines, alleging that the Ministry didn’t do robust FPIC before awarding a license to the company to build the Escobal silver mine.\textsuperscript{82} The company’s license was suspended on the grounds that it violated indigenous rights.\textsuperscript{83} The company derived 45% of its revenue from that mine in 2016.\textsuperscript{84} The company has incurred a loss of $100 million and its shares lost more than half their value since work on the mine was suspended. In 2019, Tahoe Resources was sold to Pan American Silver Corp.\textsuperscript{85} At the time, although it was sold at a premium, the share price has fallen dramatically from $27 to $5 since the company lost its permit in Guatemala.\textsuperscript{86} Investors could have avoided such a steep drop in share price if they were provided adequate information about the company’s activities while securing FPIC enabling them to make an informed investment decision.

The risk of climate-related litigation can be significantly mitigated if companies conduct thorough transition planning that weighs the risk of litigation stemming from the company ignoring changes to or failing to adhere to its social license to operate. Investors would be better served if particular disclosures (cited below) are given due consideration for inclusion by the ISSB.

2. **Operational Risks**


\textsuperscript{83} Id.


Operational disruptions are also a key financial risk if companies do not create an enabling environment that ensures a just transition; it is just this type of environment that the ISSB’s exposure draft would facilitate. Companies that do not take care of their workers will be poorly placed to attract a talented labor pool. In 2021, a report released by Rio Tinto outlined a culture of bullying harassment, and racism at the mining company that could impact a company’s ability to retain workers and lead to production slowdowns and/or delays. Operational disruptions that stem from worker dissatisfaction or community opposition can translate into project delays; higher cost of financing, insurance and security; poor labor relations; breakdown of trust with unions; lower output resulting from delayed production; and the possibility that projects can be cancelled and impacts to worker morale that can affect productivity levels. Ignoring social impacts that stem from the climate transition can result in significant financial costs impacting the nature and pace of transition.

Oxfam believes that the disclosures recommended below can help investors understand and evaluate the perceived level of risk that they can face if a company loses its social license to operate. Right now, there is a big information asymmetry gap. The ISSB’s efforts to reduce the gap can serve investors well as they engage with companies to either reform behavior or take other actions that serves the benefits of their clients. In 2020, failing to obtain a social license to operate was recognized as one of the biggest risks for mining companies. That same year, the Justice and Corporate Accountability Project analyzed six cases of community-company conflict involving mining companies which revealed that information pertaining to community conflicts to be financially material in each case. But the mining sector is not alone. Other sectors won’t be spared. As we proceed over the years to ensure a just transition, more and more sectors might consider identifying social license to operate as a material business risk.

Getting community consent through FPIC does represent a predictable cost, whereas trying to resolve community opposition and rebuild trust, paves the way for uncertain and possibly more costly outcomes. One study cited that the average cost of undertaking FPIC across certain sectors on average can cost a company $10 million (2% of overall project expenditure). That study found the cost of securing community buy-in was far less than the cost of mitigating social conflict once it had arisen, a

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93 For Indigenous peoples, the power to give or withhold consent to extractive industries or other large-scale infrastructure projects is a right protected by international law, one that has become a crucial safeguard for the protection and realization of their collective autonomies, resilience, and self-determination. FPIC is also recognized around the world as a best practice standard for affected local communities who do not fit the international law definitions of rights-holding Indigenous entities. In this way, FPIC represents a principle of best practice for sustainable development generally, a crucial project safeguard that can increase the legitimacy of a project for frontline communities. Companies spanning the extractive industries and agribusiness sectors, as well as international financial institutions and global banks, have already committed to upholding FPIC in their corporate policies and lending conditions, recognizing that respecting Indigenous sovereignty makes good business sense.
cost they conservatively estimated at $24-40 million based on their model.\textsuperscript{93} Other cases in the oil and gas sector illustrates how the costs of social conflict can skyrocket; the cost in the Dakota Access Pipeline (DAPL) project was estimated at $7.5 billion and $8 billion in the Atlantic Coast Pipeline; both of these projects have been either stalled/delayed or abandoned.\textsuperscript{94} As we move into the energy transition, it will be useful to know how companies that are transitioning to low carbon future do not take deliberate action that harms frontline communities.

Since the Standing Rock protests by Indigenous Peoples against the construction of DAPL, companies are increasingly recognizing the risks posed from community opposition.\textsuperscript{95} While the particulars of DAPL are confined to the operations of an oil and gas company, it does not take away from the fact that frontline communities will use this strategy in other instances. Elsewhere Indigenous Peoples’ opposition to a lithium mine’s operations in Nevada over concerns that it contaminates natural habitats poses challenges for the company’s ability to obtain a social license to operate.\textsuperscript{96} Interruptions of mining site operations due to community-company conflict can cost the mining company up to $10,000 per day during initial exploration, $50,000 per day during advanced exploration, and $20 million per week during operations.\textsuperscript{97} Community opposition can drain resources and impact the viability of projects and also delay the pace of transition.

If issues of fairness are not well managed, disrupting the livelihoods of workers, it can lead to production delays arising out of worker resistance. The renewable energy sector is plagued with worker rights violations and other concerns. The Business and Human Rights Resource Center revealed its first Renewable Energy and Human Rights Benchmark in 2020 and the results highlighted that some of the largest wind and solar companies lack essential policies that would help avoid abuse of frontline communities and workers in a just transition.\textsuperscript{98} According to the report, “Since 2010, Business & Human Rights Resource Centre has identified 197 allegations of human rights abuses related to renewable energy projects.”\textsuperscript{99} The report goes on to further state that:

Allegations have been made in every region and across each of the five sub-sectors of renewable energy development: wind, solar, bioenergy, geothermal, and hydropower. The

\textsuperscript{93} Id.
\textsuperscript{99} Id.
region with the highest number of allegations is Latin America (121 allegations since 2010, 61% of allegations globally). Eight of the 16 companies ranked in this benchmark have allegations of human rights abuse linked to their renewable energy operations.  

As worker abuses continue, operational disruptions can result in worker unrest, high turnover, or low morale. Investors would be well served if companies are required to disclose all information about not only the environmental but social impacts of a project. The recommended disclosures can serve as a good baseline for the ISSB for inclusion into its definition of transition risk and transition planning.

iv. The ISSB should enhance transition risk disclosures to include just transition

It would behoove companies to consider giving due consideration to risks stemming from failure to consider the negative social impacts on workers, suppliers, and frontline communities in the race to transition to a low carbon economy. **Disclosures of companies’ efforts to ensure a just transition must be included in companies’ definition of transition risks.** Issuers should be required to disclose transition strategies (including the identification of material risks) and risk management that will be relevant to ensure a just transition. The ISSB should also give due consideration to extending the Taskforce on Climate Related Financial Disclosures (TCFD) framework to include the social dimension using consistent approaches such as the Global Reporting Initiative, the UN Guiding Principles on Business and Human Rights Reporting Framework, the Workplace Disclosure Initiative, ILO guidelines for a Just Transition, and UN Declaration on the Rights of Indigenous People (UNDRIP) which provides the basis for FPIC.

Integration of the social dimension into TCFD will become increasingly important in the coming decades for investors to manage environmental and social aspects of climate-related financial risks.

Any disclosures should include:

- Disclosure of information related to how companies are providing support within the supply chain to manage climate related financial risk, including how companies are supporting those most vulnerable in the supply chain to secure a living income and a living wage,  

- Any worker related or community opposition should be disclosed and the ISSB should consider requiring companies from high-risk sectors to disclose such information

- Management of land tenure and resource management as it pertains to communities,

- Project level disclosure of data by race and ethnicity,

- Wage related data, broken down by gender and race, and efforts companies are making to ensure a living wage to workers, and

- A report, with due consideration to omitting confidential and proprietary information, on environmental and social impact assessments (ESIA) and provide disclosures on due considerations given when conducting ESIAIs. Particularly disclosures could include the development permit/license (which should include any development approval conditions limited to the environmental and social impact mitigation conditions).

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100 Id.

101 For the food sector, this can include "offering farmers longer-term contracts, guaranteeing minimum prices and premiums, engaging in more direct trading relationships with farmers, and supporting farmers’ upgrading to higher value-added activities. For more information, see Uwe Gneiting. (2021). Living Income: From Right to Reality. Oxfam Briefing Paper. Oxfam America. Retrieved from [https://www.oxfamamerica.org/explore/research-publications/living-income-from-right-to-reality/](https://www.oxfamamerica.org/explore/research-publications/living-income-from-right-to-reality/)
Conclusion: We thank you for your time and consideration of our comment. We applaud your efforts in asking for public input and incorporating elements from our input into the ISSB exposure draft. We appreciate the thoroughness of the process in drafting this Proposed Rule as well as the economic and legal analysis accompanying it.

Sincerely,

Nafkote Dabi
Oxfam International