David Walker, the Rt Revd. Bishop of Manchester, and
Alan Smith, First Church Estates Commissioner
Church Commissioners for England
Church House, Great Smith St
London, SW1P 3AZ

Emmanuel Faber
ISSB Chair
International Sustainability Standards Board
The IFRS

01 Aug 2023

Dear Emmanuel,

RE: Feedback on ISSB's Agenda Priorities

We are writing to you in our capacity as Deputy Chair of the Board of the Church Commissioners for England and as Chair of its Assets Committee. This letter sets out our thoughts and reflections on potential social related disclosure standards, as set out in ISSB's Consultation on Agenda Priorities for the next two years.

We congratulate the ISSB on the successful launch of IFRS S1 (General) and S2 (Climate) and their endorsement by IOSCO in late July 2023. We support the creation of harmonised disclosure standards for corporate sustainability-related financial information and recognise and welcome both the ISSB's momentum and the prevailing winds at ISSB's back. We strongly believe that these two standards are vital components that are necessary to underpin the effective and efficient capital markets necessary to ensuring the flourishing of people and the planet. We are happy to encourage the uptake of ISSB reporting at both a company and governmental/policy level.

Following Bishop David's meeting with you, at the Council for Inclusive Capitalism event hosted by the Archbishop Of Canterbury at Lambeth Palace in March, we have subsequently met with Katie Schmitz Eulitt and Nicolaj Sebrell from the ISSB outreach team. We discussed ISSB's progress and how the Commissioners can input into the direction of ISSB and support the uptake of the disclosure standards. With our Responsible Investment team we also reviewed the Agenda Priorities and we seek to provide some more detailed feedback in this letter.

The Commissioners approach to responsible investment
The Church Commissioners is a 320 year old in-perpetuity endowment fund. As an asset owner and diversified investor with a long term capital allocation time horizon, we are concerned with sustainable value creation. We recognise the interconnected systemic risks of climate change, nature loss and social inequality which threaten stable markets and long term returns. These risks inform our thinking on investment decision

making and stewardship activities and we integrate the 'respect for people and planet' into our approach (see our Responsible Investment Policy[1] for more details).

The Commissioners, as an investor, expect all investee companies to respect human rights in line with global norms. We were the first asset owner to become allies of the nascent Taskforce on Inequality Related Financial Disclosures (TIFD) and are following the integration with the Taskforce on Social Related Financial Disclosures (TSFD) with interest. The Commissioners recognise the financial materiality of social issues and the role of high quality social data in supporting healthy markets and financial decision making.

High level feedback and recommendations

We know the major sustainability challenges of our times can not be viewed in isolation and believe that social and environmental disclosures should be advanced in lockstep. As such, we strongly encourage the development of a cross-cutting Social Disclosure Standard (i.e. an 'S3') to support the General and Climate Disclosure Standards. We consider that the current proposal for separate 'human capital' and 'human rights' disclosure standards could create confusion and ultimately fail to address investor needs. To address this we recommend the alignment of any social related disclosure standards with IFRS' Framework for Reporting on Environmental and Social Information (created by CDSB) and the introduction of universal social disclosures relevant to all reporting entities. Our detailed feedback and recommendations are included at Annex 1.

Ultimately, people are key. Workers are the engines of business and the true creators of value. Resilient supply chains, welcoming communities and satisfied customers are all business critical issues. How companies manage their relationships, dependencies and impacts on all these stakeholders is as material to sustainable enterprise value creation for **all** companies as their exposure to climate related physical and transition risks. The issues are also interrelated and need to be disclosed in tandem to enable users of financial statements to make fully informed judgements. As such, we strongly encourage you to consider these recommendations for cross-cutting and aligned social disclosure standards when considering the priorities for the next two years.

The Commissioners are keen to continue this discussion with you and the wider team and would be happy to be a part of the Investor Advisory Group. We wish ISSB success at the Business 20 discussions in India in August and for continued national level adoption of the disclosure standards.

Yours sincerely,

+David Manchester

Alan Smith

David Walker, The Rt Rev. the Lord Bishop of Manchester

Alan Smith, First Church Estates Commissioner, Church Commissioners for England

Annexes

1. Church Commissioners Feedback on ISSB Agenda Priorities

[1] church-commissioners-updated-responsible-investment-policy-november-2022.pdf (churchofengland.org)

ANNEX 1 – CHURCH COMMISSIONERS FEEDBACK ON ISSB AGENDA PRIORITIES AND RECOMMENDATIONS

DATED: 01 Aug 2023

INTRODUCTION

ISSB's Consultation on Agenda Priorities (the Paper[2]) covers options for disclosure standards on human capital, human rights and economic inequality (touching on just transition). Set out below are two key pieces of feedback and three interlinked recommendations for ISSB's consideration. In reviewing the Paper we used the ISSB's seven proposed criteria (for deciding whether a project will meet investors' needs) to guide our feedback and recommendations.

FEEDBACK ON SOCIAL RELATED DISCLOSURE STANDARDS

1. Human rights due diligence underpins both the identification and management of sustainability related risks and opportunities, and the Just Transition, but is not sufficiently covered

IFRS has explained that sustainable value creation depends on a company's ability to access adequate relationships and resources over time, with sustainability related risks and opportunities being driven by a company's dependencies and impacts on those resources and relationships.

Human Rights Due Diligence (HRDD) provides the best framework for identifying, assessing and acting on human rights risks and impacts across the whole value chain. It is a critical part of understanding a company's relationships, dependencies and impacts on social and human capital and as such ***HRDD is a key tool to understand sustainability related risks and opportunities.*** It should therefore be a part of any materiality process.

HRDD should cover employees, workers in the value chain, communities and consumers/end users, as human rights risks and impacts can occur in all these areas. These human rights issues can become financially material over different time frames and, with the expansion of mandatory HRDD legislation, the failure to demonstrate adequate HRDD may also be a financially material compliance failure.

In 2023, the Commissioners began systematically voting against the management of companies who failed to demonstrate adequate human rights due diligence. For us, ***company approaches to human rights risk and impact management is a financially material issue for all companies***. While some companies may have greater human rights risks than others, we see the fundamentals of HRDD as a **universal** issue. As such, we have a clear need for consistent, comparable and global data on HRDD and would welcome disclosure standards that support our investment and stewardship decision making.

[2] Request for Information: Consultation on Agenda Priorities (ifrs.org)

Initiatives such as the World Benchmarking Alliance have demonstrated the deficiencies in corporate disclosure on human rights[3], but also demonstrate the feasibility of both corporate disclosures against a set standard and the value of that data to third parties including investors[4]. The Commissioners Responsible Investment team has helped convene a multitrillion dollar investor coalition to engage with major ESG data providers to address the gaps in data and inconsistencies in methodology; an issue the ISSB is well placed to support with global standards.

Through our work on **climate change and on deforestation**, we recognise the key role HRDD plays in managing the risks and impacts on people to ensure a successful shift to a net-zero and regenerative world, in a way which leaves no one behind (Just Transition). From our perspective, the transition will not be successful unless it is just. It will not be just without respect for human rights and the management of the risks and impacts for workers, communities and consumers. We believe that sustainability disclosure standards can help support a transition to net-zero, regenerative economies, but only if people and planet are considered together; a postponement of the social standards is effectively a postponement of the transition. As such, any efforts by ISSB to address Just Transition should be underpinned by human rights due diligence.

We are concerned that company led materiality processes, which do not embed the impact-to-people focus of human rights due diligence, will prove inadequate in identifying and assessing a company's relationships, dependencies and impacts on its business ecosystem. An incomplete materiality process will create an inaccurate picture of sustainability risks and opportunities, resulting in misinformed investor decisions and the misallocation of capital. And any efforts to address the topic of Just Transition will be incomplete if not grounded in a people-focused materiality process.

2. The proposed split of 'human capital' and 'human rights' in two separate standards will create unnecessary confusion and divergence

The ISSB 'Consultation on Agenda Priorities' (the Paper) recognises that human capital and human rights overlap and that human rights are not solely relevant in value chain contexts. However, if ISSB creates two separate disclosure standards, we believe this will **entrench the incorrect views** that – (a) human rights only relate to the value chain; and (b) human capital is not a human rights issue.

We note that page 27 of the paper references the Carbon Disclosure Standards Board (CDSB) 'Framework for Reporting on Environmental and Social Information' (the CBSD Framework). The authors of the Paper in our view misstate that the CDSB Framework "centres on the human rights of groups of people in an organisation's value chain". In reality, the CDSB Framework provides a complete architecture across the four categories of people that entities may impact or depend upon in their operations and value chains: their workforce, value chain workers, affected communities, and consumers and end-users[5].

[3] 2022 Social Transformation Baseline Assessment | World Benchmarking Alliance
[4] How do investors use the Corporate Human Rights Benchmark? | World Benchmarking Alliance
[5] CDSB Framework for reporting environmental and social Information, 2022

The confusion is demonstrated in the overlap of issues between the two separate proposed standards. The paper provides examples of 'human capital' subtopics such as worker wellbeing, including mental health, and diversity, equity and inclusion. These are all clearly **human rights** issues. In the section on 'human rights', issues including living wages, child labour, forced labour and restricting freedom of association are all listed as examples related to value chain workers' rights. But all these issues can exist for a company's own operations and are also clearly **human capital** issues. As a further example, the paper references ShareAction's Workforce Disclosure Initiative (WDI) as an example of investor interest in human capital management data. But built into the WDI survey are questions about the company's human rights due diligence approach. The division of 'human capital' versus 'human rights' is neither useful nor logical.

EFRAG's draft European Sustainability Reporting Standards (ESRS) for Social issues (S1-S4) clearly separate disclosure requirements for 'own workforce', 'workers in the value chain', 'affected communities' and 'consumers and end-users'. All of these are underpinned by the expectation on companies to undertake HRDD to identify and manage material social issues. We see this division of disclosure standards by stakeholder groups as being more useful for companies and investors and more suited to prioritisation by industry or sector.

With a separate 'human rights' and 'human capital' disclosure standard the ISSB will create unnecessary confusion and preventable divergence from other disclosure standards. It will also diverge from the IFRS' own CDSB Framework, which mirrors the EFRAG stakeholder groups.

RECOMMENDATIONS

1. Create a cross-cutting thematic social standard that can provide the framework and architecture for reporting entities to navigate social-issue-related risks and opportunities

As with climate, a thematic standard will set the right foundation for material social-related disclosures that are universal to companies and which are necessary for investor analysis of a company. This can be **supported** by topic or sector specific disclosures, but they will be incomplete without this foundation.

A thematic standard can provide the architecture for reporting entities to best understand how social-related impacts, risks and opportunities relate to their operations and value chain. This would address the confusion and reduce the likelihood of inadequate materiality assessments.

2. Create a set of baseline of social disclosures relevant to all reporting entities

We cannot envisage any company where the workforce is not a material issue for sustainable value creation. By extension, workforce related issues should be of interest to all long-term investors (i.e. they are a material topic). As such, we recommend including workforce related disclosures within an overarching thematic social-related disclosure standard.

These could cover material issues which have overlap between 'human capital' and 'human rights' such as worker composition and compensation, health, safety and wellbeing (including mental health), non-discrimination and approaches to identifying, mitigating and addressing social risks and impacts. Once the common disclosure requirements are in place, it will be easier to focus on thematic, topical or sectoral issues.

3. Establish the intent for four social disclosure standards covering key stakeholders

Unless the proposed 'human rights' disclosure standard will fully reflect the UN Guiding Principles on Business and Human Rights (and therefore apply across all stakeholders in the operations, value chain, communities and consumers), then it should not be created. To maintain the robustness of its framework, it is important in our view that the ISSB does not imply that human rights issues are only material to company supply chains. We believe that that it would be incorrect and potentially damaging to do so.

As the focus of the current 'human rights' disclosure standard appears to be the workers in the value chain, while the 'human capital' standard focuses on workers of the reporting entity, we recommend ISSB commits to establishing four Social Disclosure Standards which reflect CDSB's Framework (namely 'own workforce', 'workers in the value chain', 'affected communities' and 'consumers and end-users'). This would address the confusion over terminology and create convergence with pre-existing disclosure standards without deviating from IFRS' own source materials.

CONCLUSION

We appreciate the difficult task IFRS has to balance competing stakeholder demands in developing a globally applicable set of sustainability-related corporate disclosure standards. But these disclosures must work for the key users of the data; investors. As an investor, social issues are and will always be a material consideration which necessitates meaningful, comparable and accurate disclosures from **all** companies. We trust that you will find this feedback constructive and implementable, and we will be happy to engage further in support of ISSB's priority agenda setting.