

AY-2. Are you responding as an individual, or on behalf of an organisation?

- Organisation

AY-3. Please provide the name of the organisation you are responding on behalf of:

ShareAction

Question 1—Strategic direction and balance of the ISSB’s activities.

Paragraphs 18–22 and Table 1 of the Request for Information provide an overview of activities within the scope of the ISSB’s work.

01-A. (a) From highest to lowest priority, how would you rank the following activities? Please drag and drop to rank, where 1 is the highest priority and 4 is the lowest priority.

<i>beginning new research and standard-setting projects</i>	1
<i>enhancing the Sustainability Accounting Standards Board (SASB) Standards</i>	2
<i>researching targeted enhancements to the ISSB Standards</i>	3
<i>supporting the implementation of ISSB Standards (IFRS S1 and IFRS S2)</i>	4

01-B. (b) Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.

Priority 1: The ISSB should prioritise new research and standard setting projects, particularly those relating to human rights and human capital. Considering these two areas together would have significant benefits and would prevent risks to the usefulness of the standards.

The ISSB should prioritise research projects on human capital and human rights in its upcoming workplan.

Both topics are priority areas for investors and so need to be addressed by the ISSB quickly. There is clear investor demand for higher volumes of better-quality workforce data. Over 60 investors with more than USD\$10 trillion in assets under management support the Workforce Disclosure Initiative and its mission to increase the quantity and quality of workforce data companies publish about their direct operations and value chains. Similarly, the Human Capital Management Coalition, a group of 36 institutional investors with over USD\$9 trillion, are working to elevate human capital management as a critical component in company performance, again demonstrating investors’ enthusiasm for the topic. A similar level of interest can be seen when considering human rights. Over 255 investors, with USD \$37 trillion in assets under management, have endorsed the UNPRI’s Advance initiative, where institutional investors work together to take action on human rights and social issues. As such, prioritising human rights and human capital research projects reflects clear and widespread investor interest in these topics.

By addressing human capital and human rights as a priority, the ISSB can have a ‘running start’, as existing disclosure frameworks can be drawn upon. The Workforce Disclosure Initiative and the Human Capital Management Coalition represent two investor-backed, well-established reporting frameworks, and many workforce metrics are encoded in other frameworks such as the World Economic Forum’s Stakeholder Capitalism Metrics. While there are fewer human rights-specific disclosure frameworks, virtually all existing social disclosure frameworks and initiatives cover key human rights areas, such as human rights due diligence (for example, this is comprehensively addressed in the WDI). Other initiatives have also done valuable work to establish foundational human rights metrics (again this can be seen in the World Economic Forum’s Stakeholder Capitalism Metrics) that have been broadly accepted and reflected in the market. Human rights disclosures also benefit from a thoroughly internationalised, deeply entrenched legal and normative framework on which disclosures can be based.

The human capital and human rights research projects should be addressed together.

Human rights and human capital are not separate categories and so treating them as conceptually distinct is confusing and inaccurate. For example, it is not immediately clear whether collective bargaining and freedom of association, discrimination or modern slavery would be considered human capital issues or human rights issues. In practice, failing to actively consider the relationship between these two areas will result in standards where information is either missing, duplicated, or otherwise confusingly addressed in the framework. This will be frustrating for preparers and issuers, as they are using an illogical framework, or lead to standards that are ultimately not fit for purpose, because they do not provide decision useful sustainability information to capital market actors.

Similarly, companies and investors do not treat human capital and human rights as two distinct, separate areas and so doing in the ISSB standards would not reflect market practices. We know from the WDI that companies address human capital issues under human rights due diligence processes. For example, areas often associated with human capital such as health and safety, wages, and discrimination and harassment are some of the areas companies cite most regularly when asked about their top salient human rights issues, as identified through human rights due diligence.

Similarly, investors consider these two areas concurrently – UNPRI’s Advance stewardship initiative explicitly considers workforce risks (both in the direct operations and value chain) as part of efforts to address human rights risks within companies. As a result, standards do not capture information that gives investors a meaningful insight into companies’ exposure to the risks and opportunities related to these topics. This can only be done by addressing the two areas together.

The market needs clarity on how to disclose social information in general. The ISSB is the ideal entity to provide this,

but it will only be able to do so by considering social issues together, rather than in siloes. While there are several different investor-focused disclosure frameworks and initiatives addressing human rights and human capital topics,(1) there is not a unified understanding of how to consider social issues together. Without a clear and consistent architecture that enables an understanding of how different human capital and human rights relate to each other and to different companies' operations and value chains, it is harder for companies to anticipate and manage these risks and for providers of capital to integrate them into their decision-making and engagement activities.

The ISSB itself recognises the intimate relationship between these two areas in the RFI, stating that "the proposed human rights and human capital projects would seek to determine more clearly the boundaries and connections between the two topics." It is unclear how this could be done effectively without both topics being considered in tandem. It is only by undertaking projects on both these areas, as a priority, that the ISSB will be able to establish the coherent and logical framework for social financial disclosures that investors need.

Following the research projects on human capital and human rights, the ISSB would be well positioned to develop a clear and consistent architecture for reporting on social information. Conducting the human capital and human rights research projects together should provide the ISSB with the information needed to determine the most effective way of setting standards relating to social disclosures. It is therefore important that throughout the projects, and particularly when consequently setting standards, the ISSB considers the full spectrum of possible approaches to codifying these disclosures.

It is important that when the ISSB conducts human capital and human rights research projects, it addresses key gaps in the disclosure landscape. Specifically, it should consider key social issues that have not received the attention they need so far. For example, the ISSB's human rights and human capital research and standard setting projects should include a specific focus on health. This should include a consideration of the impact that companies have on worker health (i.e. through living wages, secure contracts, reduced sickness absence), consumer health (i.e. by improving the healthiness of the products and services the make, sell and market, and by shifting sales toward healthier options) and community health (i.e. by limiting negative impacts through air and water pollution) which are all important areas for investors but often not addressed in existing disclosures. ShareAction's Long-term Investors in People's Health signatory group demonstrates this demand, including over 50 investors from across the world, representing over \$5tn in assets under management. Similarly, groups like the US-based ICCR Health Equity group, and signatories to the Australian-based Tobacco Free Portfolios pledge are also health-focussed investors initiatives. More information on the consideration of health in investments can be found in ShareAction's Investor Guide on Health (available at: https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/ShareAction_Investor_Health_Guide_10.pdf).

Similarly, when looking at diversity, equity and inclusion, the ISSB should explicitly consider race and ethnicity. Fund managers and asset owners are increasingly interested in understanding the disproportionate, negative impacts that workers from minority racial and ethnic backgrounds experience. For example, ShareAction's own Ethnicity Pay Gap campaign has 22 investor signatories with £2.7tn AUM, and shareholder resolutions relation to racial equity are becoming increasingly prominent. In the 2022 proxy voting season, resolutions relating to racial equity audits were filed at more than 40 companies. The significant variation in the legal framework related to data collection on race and ethnicity across the world also make accessing standardised data particularly challenging. Given these factors, the ISSB could play a key role in addressing gaps in the data landscape and providing investors with the information they need.

Priority 2: Once the ISSB has begun research on human rights and human capital, its following priority must be enhancing the SASB standards.

Enhancing the SASB standards will be critical in supporting new research and standard-setting projects on human capital and human rights. While the SASB standards serve as a helpful starting point for considering sustainability disclosures, they are insufficient as currently formulated to provide investors with the information they need to understand and act upon human capital and human rights issues.

The current SASB standards have significant gaps when looking at the materiality of human capital and human rights issues for different industries. For example:

1. 'Labour practices' are not deemed material for the Apparel, Accessories & Footwear industry, despite numerous examples of the clear financial impact labour rights issues have had on these companies (such as Sports Direct losing GBP£1.6 billion of its value and its share price falling by 40 per cent after an investigation into working conditions at its stores and warehouses)(1) .
2. 'Human rights and community relations' are not considered material for the Agricultural Products industry, despite well-documented cases such as that of Mitr Phol, a sugar company accused of forced evictions and land grabbing that has been the subject of numerous lawsuits (3) (which have also implicated Coca Cola as a key purchasing company) (4) and has been forced to withdraw from several concessions as a result.(5)
3. 'Labour practices' are also not considered material for the Meat, Poultry & Dairy or Processed Foods industries. In Thailand, Thammakaset Farms was ordered to pay compensation to 14 workers who experienced slavery-like practices,(6) with one of the biggest Thai food companies then ending its business relationship with the supplier as a result.(7) Similarly, Golden Prize Tuna Canning had to pay compensation of USD\$1.3 million due to labour rights abuses and faced the threat of import bans for Thai fishing products to the EU due to the risk of modern slavery.(8) The metrics in the SASB standards also need to be reviewed and revised to generate the information investors need. For example:

1. The Semiconductor SASB standard requires companies to disclose a discussion of efforts to assess, monitor and reduce employees to health hazards (TC0201-07) and the amount of legal and regulatory fines as a result of employee health and safety violations (TC0201-08) but does not require companies to explain the actual number of instances of ill health or fatalities. This is a significant oversight, as understanding the actual number of instances of health and safety issues is vital for investors who want to understand whether a company is exposed to risk in this area or not.
2. There are just two quantitative metrics in the Apparel industry standard that apply to supply chains:
 - "Percentage of Tier 1 supplier facilities and supplier facilities beyond Tier 1 that have been audited to a labor code of conduct, [and] percentage of total audits conducted by a third-party auditor;" (CG-AA-430b.1)

- “Priority non-conformance rate and associated corrective action rate for suppliers’ labor code of conduct audits” (CG-AA-430b.2).

Social audits and the multi-stakeholder initiatives that depend on them have faced significant criticism as a mechanism for identifying and responding to supply chain risks. Audits do not capture corporate performance on the treatment of workers and are therefore of limited value for investors.

Priorities 3/4: Supporting the implementation of ISSB standards/researching targeted enhancements to the ISSB standards.

Ensuring the ISSB standards are formulated effectively, and implementation is supported, is important. However, this is less pressing than undertaking research and standard-setting projects on social topics and enhancing the existing SASB standards relating to human capital and human rights. This is because of the high level of priority for these topics (as outlined above), which are needed as soon as possible.

Additionally, work to support the implementation of existing ISSB standards will be more valuable when social standards are completed. Novel social standards may add new dimensions and considerations to how the suite of ISSB standards is implemented. Moreover, when considering enhancing standards, there are many areas where waiting for further standards to be developed would be beneficial. For example, enhancements to IFRS S2 regarding the just transition are likely to be significantly faster, easier and of a higher quality if conducted after the human capital and human rights research projects. Consequently, waiting until the research projects on human capital and human rights have progressed will allow for the ISSB to consider all these standards together, making the process more effective and preventing the need to revisit these areas when social standards have been released.

Lastly, it would be beneficial for the existing ISSB standards to be used more widely by companies before researching enhancements. Potential issues in the existing standards will only become apparent once companies start widely disclosing against them. Waiting for this to be the case, ideally with a broad range of companies (for example, from different jurisdictions), will enable enhancements to correct any issues that have arisen.

(1) For example, the WDI, the Committee on Workers’ Capital (CWC) Guidelines for the Evaluation of Workers’ Human Rights and Labour Standards, and the Human Capital Management Coalition’s Foundational Human Capital Disclosures.

(2) Goodley, S. (2016). “Sports Direct falls out of FTSE 100 following Guardian investigation,” The Guardian. Available online at: <https://www.theguardian.com/business/2016/mar/01/sport-direct-falls-out-of-ftse-100-guardian-investigation-share-price-working-conditions>

(3) Amnesty International (2020). “Cambodia/Thailand: Court ruling on Mitr Phol watershed moment for corporate accountability in SE Asia”, Amnesty International. Available online at: <https://www.amnesty.org/en/latest/news/2020/07/court-ruling-mitr-phol-case-watershed-moment-for-se-asia-corporate-accountability/>

(4) Sarath, S. (2021). “Cambodian farmers hurt by Thai sugar company sue for Coca-Cola to release information”, CamboJA News. Available online at: <https://cambojanews.com/cambodian-farmers-hurt-by-thai-sugar-company-sue-for-coca-cola-to-release-information/>

(5) Pye, D. (2015) “Sugar company pulls out”, The Phnom Penh Post. Available online at: <https://www.phnompenhpost.com/national/sugar-company-pulls-out>

(6) Business and Human Rights Resource Centre (2017). “Thailand: Supreme Court approves \$52,000 compensation for 14 Myanmar workers who reported forced labour conditions at Thammakaset chicken farm”, Business and Human Rights Resource Centre. Available online at: <https://www.business-humanrights.org/en/latest-news/thailand-supreme-court-approves-52000-compensation-for-14-myanmar-workers-who-reported-forced-labour-conditions-at-thammakaset-chicken-farm/>

(7) Coconuts Yangon (2016). “‘Modern day slavery’: Thai food giant drops chicken farm over abuse of Myanmar workers”, Coconuts Yangon. Available online at: <https://coconuts.co/yangon/news/modern-day-slavery-thai-food-giant-drops-chicken-farm-over-abuse-myanmar-workers/>

(8) Mairs, S. (2016) “Rare Thai labour win as tuna factory pays out \$1.3 mn”, Yahoo! News. Available online at: <https://news.yahoo.com/rare-thai-labour-win-tuna-factory-pays-1-054011904.html>

01-C. (c) Should any other activities be included within the scope of the ISSB’s work? If so, please describe these activities and explain why they are necessary.

- No

Question 2—Criteria for assessing sustainability reporting matters that could be added to the ISSB’s work plan

Paragraphs 23–26 of the Request for Information discuss the criteria the ISSB proposes to use when prioritising sustainability-related reporting issues that could be added to its work plan.

02-A. (a) Do you think the ISSB has identified the appropriate criteria? Please explain your response.

- Yes:

The criteria identified by the ISSB seem appropriate, however it is important that what the criteria mean in practice and how they will be applied is clarified.

Firstly, the importance of the matter to investors is a key criterion for assessing sustainability reporting matters. However, it is critical that within that, the full spectrum of ways in which an issue can be important to investors is considered. For example, some sustainability information may be of a greater priority to investors when considering longer term risks and opportunities for companies. Similarly, some information may be more important for investors when looking to understand the social and environmental impact of their investments. In these instances, these kinds of importance must be given equal weighting to other reasons for importance of sustainability information. This is crucial if the ISSB standards are to genuinely provide investors with the information they need to address the multifaceted considerations they encounter when making decisions about the allocation of capital.

Secondly, it would be important to understand how the ISSB will address tensions between the criteria. For instance, a project that is particularly complex may be an especially high priority for investors because of that complexity. In those cases, the complexity of a project (or any other criteria) should not serve as a barrier to action from the ISSB where the matter is of particularly high importance for investors.

02-B. (b) Should the ISSB consider any other criteria? If so what criteria and why?

- Yes:

The ISSB should also consider whether the matter is having a significant or pressing impact on people.

This is because any impacts on enterprises (and therefore investors) are derived from the impacts companies have on people. For example, the financial consequences of modern slavery (through, for instance, boycotts of companies or fines), only result where individuals have experienced modern slavery. The impact of modern slavery on people is therefore a prerequisite for the effects on enterprise value that follow. Given this, considering whether the matter is significantly impacting people will allow the ISSB standards to consider emergent matters areas that, while relevant, may not have been considered otherwise.

Including this as one in the broader set of criteria outlined will still support the ISSB's focus on information relevant to the primary users of financial reporting. Investors are increasingly focusing on impact data, and so this sort of information complements, rather than contradicts, the ISSB's focus. Similarly, as one of many criteria, the balancing between these areas would ensure that including this as an addition criterion would still help to serve the purpose of deciding whether a potential project will meet investors' needs.

Question 3—New research and standard-setting projects that could be added to the ISSB's work plan

Paragraphs 27–38 of the Request for Information provide an overview of the ISSB's approach to identifying sustainability-related research and standard-setting projects. Appendix A describes each of the proposed projects that could be added to the ISSB's work plan.

03-A. (a) Taking into account the ISSB's limited capacity for new projects in its new two-year work plan, should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?

- More than one project

03-Aii. (ii) If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority? You may select from the four proposed projects in Appendix A or suggest another project (or projects). Please explain your response.

- **Human capital:**

The ISSB should considering human rights and human capital together, as this would have significant benefits and would prevent risks to the usefulness of the standards.

Doing so is necessary because human rights and human capital are not separate categories, and so treating them as conceptually distinct is confusing and inaccurate. Similarly, companies and investors don't treat human capital and human rights as two discrete, separate areas and so doing so doesn't reflect market practices.

Addressing these two areas together is also required to meet market needs. Providers of capital and reporting entities need clarity on how to consider and disclose social information in general. The ISSB is the ideal actor to provide this, but it will only be able to do so by considering human capital and human rights issues together, rather than in siloes. Additionally, by undertaking the human rights and human capital projects together, the ISSB will not be limited to just creating a human rights and human capital standard, if the research projects show that a different approach would more effectively meet the information needs of providers of capital. Taking a joint approach will therefore enable the ISSB to best consider and respond to gaps in the existing reporting landscape on these issues.

The ISSB should prioritise these areas in its upcoming workplan. Both topics are priority areas for investors and so need to be addressed by the ISSB quickly. There is clear investor demand for higher volumes of better-quality workforce data and similar enthusiasm can be seen for human rights topics. The ISSB can have a 'running start' by working on these two topics, as existing, investor-focused disclosure frameworks, such as the Workforce Disclosure Initiative, can be drawn upon.

- **Human rights:**

See human capital rationale.

Question 4—New research and standard-setting projects that could be added to the ISSB's work plan: Biodiversity, ecosystems and ecosystem services

The research project on **biodiversity, ecosystems and ecosystem services** is described in paragraphs A3–A14 of Appendix A to the Request for Information. Please respond to these questions:

04-A. (a) Of the subtopics identified in paragraph A11, to which would you give the highest priority? Please select as many as applicable.

Please explain your choice and the relative level of priority with particular reference to the information needs of investors. You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:

- **a short description of the subtopic (and the associated sustainability-related risks and opportunities); and**
- **your view on the importance of the subtopic with regard to an entity's sustainability-related risks and opportunities and the usefulness of the related information to investors.**

N/A

Question 4—New research and standard-setting projects that could be added to the ISSB's work plan: Biodiversity, ecosystems and ecosystem services

04-B. (b) Do you believe that sustainability-related risks and opportunities related to biodiversity, ecosystems and ecosystem services are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

N/A

Question 4—New research and standard-setting projects that could be added to the ISSB's work plan: Biodiversity, ecosystems and ecosystem services

04-C. (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A13 should be utilised and prioritised by the ISSB in pursuing the project? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. If you would like to suggest materials that are not specified, please select 'Other' and give your suggestion(s) in the comment box. You can suggest as many materials as you deem necessary.

To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

N/A

Question 5—New research and standard-setting projects that could be added to the ISSB's work plan: Human capital

The research project on **human capital** is described in paragraphs A15–A26 of Appendix A to the Request for Information. Please respond to these questions:

05-A.

(a) Of the subtopics identified in paragraph A22, to which would you give the highest priority? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You may also suggest subtopics that have not been specified.

To help the ISSB analyse the feedback, where possible, please provide:

- **a short description of the subtopic (and the associated sustainability-related risks and opportunities); and**
- **your view on the importance of the subtopic with regard to an entity's sustainability-related risks and opportunities and the usefulness of the related information to investors.**

- **Other—please specify:**

When starting research projects on individual topic areas under the human capital workplan, the ISSB should first ensure it has a clear understanding of the relationship between human capital and human rights issues. Doing so will ensure that unhelpful and misleading siloes and boundaries between the two areas are sufficiently addressed and market practices of considering the two areas can be reflected in standard-setting activities.

Research projects focusing on these subtopics should then explicitly address the human capital and human rights aspects of these areas together, rather than creating artificial distinctions that are confusing and inaccurate (for example, labour conditions in the value chain only being considered from the perspective of human capital).

It is important that when the ISSB conducts human capital and human rights research projects, it addresses key gaps in the disclosure landscape. Specifically, it should consider key social issues that have not received the attention they need so far.

For example, the ISSB's human rights and human capital research and standard setting projects should include a specific focus on health. This should include a consideration of the impact that companies have on worker health (i.e. through living wages, secure contracts, reduced sickness absence), consumer health (i.e. by improving the healthiness of the products and services they make, sell and market, and by shifting sales toward healthier options) and community health (i.e. by limiting negative impacts through air and water pollution) which are all important areas for investors but often not addressed in existing disclosures. ShareAction's Long-term Investors in People's Health signatory group demonstrates this demand, including over 50 investors from across the world, representing over \$5tn in assets under management. Similarly, groups like the US-based ICCR health Equity group, and signatories to the Australian-based Tobacco Free Portfolios pledge are also health-focussed investors initiatives. More information on the consideration of health in investments can be found in ShareAction's Investor Guide on Health.

Similarly, when looking at diversity, equity and inclusion, the ISSB should explicitly consider race and ethnicity. Fund managers and asset owners are increasingly interested in understanding the disproportionate, negative impacts that workers from minority racial and ethnic backgrounds experience. For example, ShareAction's own Ethnicity Pay Gap campaign has 22 investor signatories with £2.7tn AUM, and shareholder resolutions relating to racial equity are becoming increasingly prominent. In the 2022 proxy voting season, resolutions relating to racial equity audits were filed at more than 40 companies. The significant variation in the legal framework related to data collection on race and ethnicity across the world also make accessing standardised data particularly challenging. Given these factors, the ISSB could play a key role in addressing gaps in the data landscape and providing investors with the information they need.

**Question 5—New research and standard-setting projects that could be added to the ISSB’s work plan:
Human capital**

05-B. (b) Do you believe that sustainability-related risks and opportunities related to human capital are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

- Yes

05-Bi. (i) Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will be substantially different across different industries, sectors or geographic locations.

Some sustainability-related risks and opportunities related to human capital are the same across business models, economic activities, and other common features, and some are different.

Some risks and opportunities are inherent to having a workforce and therefore apply to all companies, regardless of industry, sector or geographic location. For example, employee engagement, workforce investment, workforce composition and costs all apply to companies by virtue of them having a workforce.

Other factors mean that sustainability-related risks and opportunities related to human capital can differ across industries, sectors and geographies. These factors include:

The nature of the business: The types of operations a company has will naturally shape whether it is exposed to particular risks and opportunities relating to human capital. For example, organisations engaged in manufacturing, with more extensive supply chains, are more likely to be exposed to risks and opportunities related to value chain working conditions than companies that are service-based.

The business models prevalent in the sector/industry: A number of features of companies’ business models have been identified as ‘red flags’ that may increase risks relating to human capital. These are:

Practices related to the value proposition, where the company:

- Offers lowest cost goods or services that put pressure on labour costs and, in turn, rights;
- Provides high speed delivery that places pressure on warehouse and logistics workers in the “last mile”;
- Utilises algorithmic decision-making that can result in discrimination.

Practices related to the value chain, where the company:

- Employs speed in developing products, or services, or delivering projects, with risks to health and safety;
- Uses commodities with unclear provenance and visibility over impacts on workers or communities;
- Has business relationships with limited influence to address risks to people;
- Uses data such that privacy and other rights are undermined.

Practices related to the cost structure and revenue model, where the company:

- Uses gig workers or other precarious labour;
- Sources low-paid labour from labour providers;
- Sources commodities that are priced independent of farmer incomes;
- Shifts inventory risks to suppliers with knock-on effects to workers;
- Automates at a speed or scale that leaves workers little chance to adapt;
- Operates in markets where regulations fall below human rights standards.

The legal framework in the geographic location: The robustness of protections and legal standards relating to human capital vary significant across jurisdictions. More ambitious and rigorously enforced standards may mitigate risks and increase opportunities, whereas lower standards that are less robustly or consistently applied may increase exposure to risks. For example, countries without minimum wage legislation may face exacerbated risks related to pay compared to those with established requirements.

Cultural, political, and contextual norms in the geographic location: The broader socioeconomic and political context in geographic locations can shape potential exposure to risks and opportunities relating to human capital. For example, companies operating in countries with higher levels of gender inequality and more pervasive discrimination against women are likely to be exposed to risks relating to diversity and inclusion.

It is important to note that in many instances, the application of risks and opportunities may apply across a variety of companies, but manifest in different ways due to the factors outlined above. In these instances, the topics should be considered material for all companies, but the disclosure requirements themselves should reflect the specific circumstances of these organisations. For example, workforce composition is relevant to all companies, but more detailed indicators related to the use of contingent workers would be particularly important for logistics companies, where these kinds of contracts are widespread.

**Question 5—New research and standard-setting projects that could be added to the ISSB’s work plan:
Human capital**

05-C. (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A25 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. If you would like to suggest materials that are not specified, please select 'Other' and give your suggestion(s) in the comment box. You can suggest as many materials as you deem necessary.

To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

- The SASB Standards and related research and standard-setting projects
- The CDSB Framework for reporting environmental and social information
- The Integrated Reporting Framework
- The Capitals Coalition
- The International Labour Organization (ILO)
- The European Financial Reporting Advisory Group (EFRAG)
- The Global Reporting Initiative (GRI)
- The US Securities and Exchange Commission
- The World Economic Forum (WEF) International Business Council's core metrics and disclosures on sustainable value creation
- Other—please specify:

In addition to the frameworks outlined above, the ISSB should include the Workforce Disclosure Initiative (WDI) survey as a key material to inform its standard-setting activities. The WDI is the leading, investor-back workforce disclosure framework, with its significance being recognised by the ISSB itself when citing the WDI in the RFI document (paragraph A17).

Throughout its lifetime, the WDI survey has been consistently developed based on investor feedback and input and is explicitly designed to provide investors with the consistent and comparable workforce-related information they need. The most recent iteration of the survey has just gone through a process of review and revision, with members of the WDI investor signatory group, made up of over 60 institutions with over USD\$10 trillion in AUM, providing detailed feedback and input into the structure, metrics, and indicators in the survey. The WDI investor signatories represent a wide variety of investment philosophies, sizes, and geographies, meaning the finished survey also reflects the range of perspectives in the investment community more widely.

The WDI, therefore, offers a pool of trialled and tested metrics and indicators that investors are already integrating into their investment analysis and decision-making. As a result, the survey is an ideal starting point for the ISSB when looking to understand both the topics and the individual disclosures that are of interest to investors.

Question 6—New research and standard-setting projects that could be added to the ISSB's work plan: Human rights

The research project on **human rights** is described in paragraphs A27–A37 of Appendix A to the Request for Information. Please respond to these questions:

06-A. (a) Within the topic of human rights, are there particular subtopics or issues that you feel should be prioritised in the ISSB's research? You can suggest as many subtopics or issues as you deem necessary.

To help the ISSB analyse the feedback, where possible, please provide:

- **a short description of the subtopic (and the associated sustainability-related risks and opportunities); and**
- **your view on the importance of the subtopic with regard to an entity's sustainability-related risks and opportunities and the usefulness of the related information to investors.**

When starting research projects on individual topic areas under the human rights workplan, the ISSB should ensure it has a clear understanding of the relationship between human capital and human rights issues. Doing so will ensure that unhelpful and misleading siloes and boundaries between the two areas are sufficiently addressed and market practices of considering the two areas can be reflected in standard-setting activities.

Research projects focusing on these subtopics should then explicitly address the human capital and human rights aspects of these areas together, rather than creating artificial distinctions that are confusing and inaccurate (for example, labour conditions in the value chain only being considered from the perspective of human capital).

For example, the ISSB's human rights and human capital research and standard setting projects should include a specific focus on health. This should include a consideration of the impact that companies have on worker health (i.e. through living wages, secure contracts, reduced sickness absence), consumer health (i.e. by improving the healthiness of the products and services the make, sell and market, and by shifting sales toward healthier options) and community health (i.e. by limiting negative impacts through air and water pollution) which are all important areas for investors but often not addressed in existing disclosures. ShareAction's Long-term Investors in People's Health signatory group demonstrates this demand, including over 50 investors from across the world, representing over \$5tn in assets under management. Similarly, groups like the US-based ICCR health Equity group, and signatories to the Australian-based Tobacco Free Portfolios pledge are also health-focussed investors initiatives. More information on the consideration of health in investments can be found in ShareAction's Investor Guide on Health.

Similarly, when looking at diversity, equity and inclusion, the ISSB should explicitly consider race and ethnicity. Fund managers and asset owners are increasingly interested in understanding the disproportionate, negative impacts that workers from minority racial and ethnic backgrounds experience. For example, ShareAction's own Ethnicity Pay Gap campaign has 22 investor signatories with £2.7tn AUM, and shareholder resolutions relation to racial equity are becoming increasingly prominent. In the 2022 proxy voting season, resolutions relating to racial equity audits were filed at more than 40 companies. The significant variation in the legal framework related to data collection on race and ethnicity across the world also make accessing standardised data particularly challenging. Given these factors, the ISSB could play a key role in addressing gaps in the data landscape and providing investors with the information they need.

**Question 6—New research and standard-setting projects that could be added to the ISSB's work plan:
Human rights**

06-B. (b) Do you believe that sustainability-related risks and opportunities related to human rights are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

- Yes

06-Bi. (i) Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will be substantially different across different industries, sectors or geographic locations.

Given the strong correlation and interrelation between human capital and human rights issues, similar considerations apply to human rights as with human capital issues, in that some sustainability related-risks and opportunities are the same and some are different. Some risks and opportunities are inherent to businesses that engage with rightsholders in any way (be they as workers, consumers or community members where the business operates). These, therefore, apply to all companies, regardless of industry, sector, or geographic location. For example, as the fundamental mechanism for identifying and addressing any human rights risks and impacts, human rights due diligence applies to all companies.

Other factors mean that sustainability-related risks and opportunities related to human rights can be substantially different across industries, sectors and geographies. These factors are broadly the same as those relating to human capital, including:

The nature of the business: The types of operations a company has will naturally shape whether it is exposed to particular risks and opportunities relating to human rights. For example, organisations engaged in manufacturing, with more extensive supply chains, are more likely to be exposed to risks and opportunities related to human rights in the value chain than companies that are service-based.

The business models prevalent in the sector/industry: A number of features of companies' business models have been identified as 'red flags' that may increase risks relating to human rights. These are:

Practices related to the value proposition, where the company:

- Offers lowest cost goods or services that put pressure on labour rights;
- Provides high speed delivery that places pressure on warehouse and logistics workers in the "last mile";
- Applies project timelines that undermine consultation with communities;
- Privatizes access to public goods with risks to quality of service;
- Utilises algorithmic decision-making that can result in discrimination;
- Provides online platforms with potential for online and offline harm;
- Provides financial or advisory services that enable high-risk clients to cause harm;
- Creates products that harm when overused;
- Creates products that harm with misused;
- Creates products that harm when used as intended.

Practices related to the value chain, where the company:

- Employs speed in developing products, or services, or delivering projects, with risks to health and safety;
- Uses land in countries where ownership may be contested;
- Depletes natural resources or public goods such that it undermines access or health;
- Uses commodities with unclear provenance and visibility to impacts on workers or communities;
- Has business relationships with limited influence to address risks to people;
- Uses data such that privacy and other rights are undermined.

Practices related to the cost structure and revenue model, where the company:

- Uses gig workers or other precarious labour;
- Sources low-paid labour from labour providers;
- Sources commodities that are priced independent of farmer incomes;
- Shifts inventory risks to suppliers with knock-on effects to workers;
- Automates at a speed or scale that leaves workers little chance to adapt;
- Employs sales-maximizing incentives that put consumers at risk;
- Operates in markets where regulations fall below human rights standards;
- Uses aggressive tax-minimization strategies.

The legal framework in the geographic location: The robustness of protections and legal standards relating to human rights vary significantly across jurisdictions. More ambitious and rigorously enforced standards may mitigate risks and increase opportunities, whereas lower standards that are less robustly or consistently applied may increase exposure to risks. For example, countries with low minimum working ages, or where there are lax regulations for monitoring whether workers are children, are more likely to be exposed to risks relating to child labour.

Cultural, political and contextual norms in the geographic location: The broader socioeconomic and political context in geographic locations can shape potential exposure to risks and opportunities relating to human capital. For example, companies operating in countries with low union density or where union activity is looked upon less favourably may experience greater risks related to the rights to freedom of association and collective bargaining.

It is important to note that in many instances, the application of risks and opportunities may be applicable across a wide variety of companies, but manifest in different ways due to the factors outlined above. In these instances, the topics should be considered material for all companies, but the specific disclosure requirements should reflect the specific circumstances of these organisations.

**Question 6—New research and standard-setting projects that could be added to the ISSB's work plan:
Human rights**

06-C. (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A36 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified—please select 'Other' and give your suggestion(s) in the comment box. You can suggest as many materials as you deem necessary.

To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

- The CDSB Framework for reporting environmental and social information
- The SASB Standards
- The Integrated Reporting Framework
- The International Labour Organization
- The UN Guiding Principles on Business and Human Rights and the associated UN Guiding Principles Reporting Framework
- The World Benchmarking Alliance's Corporate Human Rights Benchmark
- The United Nations Declaration on the Rights of Indigenous Peoples
- The cross-industry metrics associated with the WEF International Business Council's dignity and equality theme
- Other—please specify:

In addition to the frameworks outlined above, the ISSB should include the Workforce Disclosure Initiative (WDI) survey as a key material to inform its standard-setting activities. The WDI is the leading, investor-back workforce disclosure framework, something recognised by the ISSB itself when citing the WDI in the RFI document. In addition to workforce-specific indicators, the WDI also includes a section explicitly focused on human rights, which includes several more general, human rights metrics and indicators. Additionally, the WDI has been designed to consider human rights throughout the survey, and so provides an effective model for the nexus between human rights and human capital issues.

Throughout its lifetime, the WDI survey has been consistently developed based on investor feedback and input and is explicitly designed to provide investors with the consistent and comparable information they need. The most recent iteration of the survey has just gone through a process of review and revision, with members of the WDI investor signatory group, made up of over 60 institutions with over USD\$10 trillion in AUM, providing detailed feedback and input into the selection and of metrics and indicators in the survey. The WDI investor signatories represent a wide variety of investment philosophies, sizes and geographies, meaning the finished survey also reflects the range of perspectives in the investment community as a whole.

The WDI, therefore, offers a pool of trialled and tested metrics and indicators that investors are already integrating into their investment analysis and decision-making. As a result, the survey is an ideal starting point for the ISSB when looking to understand both the topics and the individual disclosures that are of interest to investors.

The ISSB should also consider the GRI standards when exploring human rights. The GRI standards are the most widely used sustainability reporting standards and have also been integrated into other reporting frameworks that the ISSB would seek alignment with (namely, ESRS at the EU).

Similarly, the ISSB should also include ESRS. ESRS covers a number of human rights issues, both relating to the workforce and to other stakeholder groups and will already be adopted by thousands of companies. It is therefore essential the ISSB ensure interoperability with these standards.

Question 7—New research and standard-setting projects that could be added to the ISSB's work plan: Integration in reporting

The research project on **integration in reporting** is described in paragraphs A38–A51 of Appendix A to the Request for Information. Please respond to these questions:

07-A. (a) The integration in reporting project could be intensive on the ISSB's resources. While this means it could hinder the pace at which the topical development standards are developed, it could also help realise the full value of the IFRS Foundation's suite of materials. How would you prioritise advancing the integration in reporting project in relation to the three sustainability-related topics (proposed projects on biodiversity, ecosystems and ecosystem services; human capital; and human rights) as part of the ISSB's new two-year work plan? Please explain your response.

- Integration in reporting project is a **lower priority**:
Conducting human capital and human rights research projects should be the ISSB's priority. This is because both topics are priority areas for investors and so need to be addressed by the ISSB quickly. There is clear investor demand for higher volumes of better-quality workforce data and similar enthusiasm can be seen for human rights topics. The ISSB can have a 'running start' by working on these two topics, as existing, investor-focused disclosure frameworks, such as the WDI, can be drawn upon.

07-B. (b) In light of the coordination efforts required, if you think the integration in reporting project should be considered a priority, do you think that it should be advanced as a formal joint project with the IASB, or pursued as an ISSB project (which could still draw on input from the IASB as needed without being a formal joint project)? Please explain how you think this should be conducted and why.

N/A

**Question 7—New research and standard-setting projects that could be added to the ISSB’s work plan:
Integration in reporting**

(c) In pursuing the project on ‘integration in reporting’, do you think the ISSB should build on and incorporate concepts from:

07-Ci. (i) the IASB’s Exposure Draft *Management Commentary*?

If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

N/A

07-Cii. (ii) the Integrated Reporting Framework?

If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

N/A

07-Ciii. (iii) other sources?

If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

N/A

07-D. (d) Do you have any other suggestions for the ISSB if it pursues the project?

N/A

08. Question 8—Other comments

Do you have any other comments on the ISSB’s activities and work plan?

N/A