

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:

California State Teachers Retirement System (CalSTRS)

AY-10. Would you like to include any additional introductory information?

- No

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

CalSTRS has long been supportive of the IFRS Foundation’s work to establish an international baseline for sustainability-related financial disclosures and climate-related disclosures. CalSTRS has been a vocal advocate for reliable, consistent and comparable information that enable us to better understand the risks and opportunities of our portfolio companies.

1) The S1 and S2 standards are a monumental step forward in sustainability reporting and ensuring that the implementation goes smoothly should be the first priority. It is likely that issuers, auditors, investors and regulators will need assistance in interpreting and communicating material sustainability-related information and thus the primary focus should be on ensuring that everyone (particularly those with reporting challenges such as in emerging markets) have clear understanding and guidance.

- Focus: Materials and guidance for preparers, auditors, investors and regulators

2) The second priority should be new projects. There are many pressing and emerging long-term investment risks that investors are attentive to, for which there is a low-level of data and disclosure. Ensuring that ISSB conducts research into potential new standard setting projects for the work plan is vitally important.

- Focus: Research and scoping of potential projects related to human capital disclosures

3) The Sustainability Accounting Standards Board provides an excellent baseline for industry specific disclosures and give investors insights that are tailored to a company’s operations. As risks evolve, the standards should reflect these changes in material risk exposures. These should be tackled on an ongoing basis once S1 and S2 implementation has matured and new, critical research and standard setting projects are fully underway.

- Focus: maintaining the SASB standards through research, consultation and revisions

4) On a relative basis, targeted enhancement of the ISSB standards comprise the lowest priority item on this list but is still an item of which we are supportive.

- Focus: Explore value chain based aspects of climate risks and opportunities and of climate related strategies and transition plans

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

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

- Yes:

The list of criteria identified by ISSB is comprehensive; a potential addition is taking into account the level of work already conducted by other entities within the space. This would be beneficial for prioritizing reporting topics.

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?

- Single project

03-Ai. (i) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A or suggest another project. Please explain your response.

- Human capital:

Human capital management and climate related topics have generated high investor interest in recent years and investors have actively sought comparable, decision-useful disclosure on these topics. Related to these two areas are the Biodiversity, ecosystems and ecosystem services project and the Human Capital project. While both are material to investors, human capital is directly relevant across industries whereas biodiversity is materially significant to some industries and companies. Thus, human capital should be the first priority for new projects.

Biodiversity builds upon other climate related topics covered in S2. As relevant disclosure under S2 expands and changes over time, biodiversity should be considered there.

Human rights should be prioritized as a component of human capital given the momentum of investor interest. Incorporating it within human capital serves two benefits, it provides investors with insights on human capital within the entire value chain and promotes integration of human capital reporting across emerging and developed markets. Furthermore, it supports the S2 standards given the overlap between the climate transition and workforce changes for corporations.

Given the level of analysis needed for each project, the ISSB should focus on one project (if resources permit); the implementation of S1 and S2 should be the primary effort, and other projects (such as human capital standards) should be considered after S1 and S2 implementation has achieved significant progress.

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.**
- Freshwater and marine resources and ecosystems use:
Level of Importance - 1
CalSTRS is a founding member of the Ceres Valuing Water Task Force and actively engages and encourages companies to disclose on management of water risks to ensure that investors have a better understanding of this material topic. Water risk is increasingly becoming a part of climate stewardship. Managing the quantity and quality of freshwater inputs and outputs is a high priority for many companies. Mismanagement can impact a corporation's license to operate and create regulatory risks. Marine resource and ecosystem risks manifest directly for those involved in industries such as fisheries, and indirectly for companies as a component of their product lifecycle management or limited access to human capital in areas where water is scarce or has quality issues.
 - Land-use and land-use change:
Level of Importance - 3
Understanding land-use is extremely important to investors from a systemic standpoint because risks such as habitat loss, tree removal and other land use changes are extremely interrelated with each other, with more broad-based climate risks and human capital/human rights issues such as indigenous rights. Biodiversity loss can result from deforestation, and create reputational risk due to climate impacts, supply chain traceability concerns and legal risks. These impact many portfolio companies directly (ex. those that utilize palm oil in their products) and others indirectly (ex. Hospitality services that can be impacted by extreme weather events caused by insufficient land management)
 - Pollution (including emissions into air, water and soil):
Level of Importance - 4
Given that this subtopic is connected with climate risk, water risk, and resource exploitation it is relevant as a part of climate disclosure standards. Climate, human capital and social capital also interrelate when considering management of this topic, since there can be significant impacts to communities and workers. Climate reporting standards can be expanded to include this and other biodiversity subtopics alongside guidance on how to integrate relevant human and social capital disclosures where relevant.
 - Resource exploitation (for example, material sourcing and circular economy):
Level of Importance - 2
As the climate transition progresses, critical minerals that are integral to the push towards electrification are experiencing increased demand. Water and other natural resources also attract significant investor attention since the sustainable stewardship of these resources is pivotal to the operations of many companies. Ensuring upstream and downstream resource sustainability is critical from a climate perspective, a human capital perspective and a human rights perspective.
 - Invasive non-native species:
Level of Importance - 5
Introduction of invasive species in an ecosystem can displace other species causing disequilibrium and create reputational and legal risks for companies associated with introducing invasive species that may impact local economies. This subtopic is not directly relevant to all companies and thus disclosure would be useful to investors when material to the company's direct activities. However, this topic does connect to land-use and thus could be integrated with that subtopic.

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?

- Yes

04-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.

Each of these topics are interrelated and have significant overlap with each other and also with other climate and human capital topics. How they relate to each company will be different depending on geography and sector. It would be challenging to identify metrics across these subtopics that would yield comparable information across geography and sector. For instance, not all companies face issues related to invasive species, but for those that do, such as those in power generation, water treatment, agriculture, mismanagement can result in material impacts to the business. Other subtopics, such as water, can impact many companies but at differing points in the value chain – which also limits comparability. Differing global geographies have access to different natural capital/resources, so disclosure requirements and implementation could be more challenging for some markets as opposed to others. For instance, oil and gas companies conducting the same activities may have varying disclosures in different geographies due to different methods of extraction, or regulatory requirements, etc. Furthermore, some sectors, such as the services sector have minimal material impacts related to biodiversity subtopics, and so disclosure for those companies would be of negligible benefit to investors.

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.

- The Climate Disclosure Standards Board (CDSB) Framework application guidance for biodiversity and water-related disclosures:
Level of Priority - 3
The biodiversity guidance encourages a materiality assessment to assess and disclose relevant biodiversity metrics. Seeks to fill a gap on water disclosure.
- The Global Reporting Initiative (GRI) standards (for example, GRI 304 – Biodiversity):
Level of Priority - 2
Directly includes biodiversity topics and has significant issuer adherence
- The Taskforce on Nature-related Financial Disclosures (TNFD):
Level of Priority - 1
Wide range of organizations that have given feedback: Ceres, UN Convention on Biodiversity, World Wildlife Fund, IUCN, PRI, Science based target network etc.
Prioritizes risk evaluations
- The European Financial Reporting Advisory Group (EFRAG):
Level of Priority - 4
Draft biodiversity disclosure requirements already being used in some markets with implementation this year.
- The United Nations Declaration on the Rights of Indigenous Peoples:
Level of Priority - 7
Makes a connection between biodiversity and human rights.
- Other—please specify:
International Union for Conservation of Nature (IUCN)
Level of Priority - 5
Significant global representation through policy feedback from organizations representing 160 plus countries and 1,400 plus members. Also has established standards - IUCN Global Standard for Nature-based Solutions.
OGMP 2.0
Level of Priority - 6
Sets leading standards regarding methane emissions (pollution – a biodiversity subtopic) for the oil and gas industry.

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.**

- Worker wellbeing (including mental health and benefits):
Level of Importance - 5
Investment in worker well-being can be reflected through the company's costs and provides investors insights on how a company is managing risks in this area. Worker wellbeing is central to issues of productivity, workforce stability and engagement. Prioritizing worker safety and reducing harmful impacts of the work environment has implications for the physical and mental wellbeing of a workforce. Companies that support access to comprehensive healthcare services also benefit from a healthier workforce with the productivity benefits that entails. Furthermore, as climate risks increase, issues of worker well-being will receive increased attention, an example of this includes agricultural or construction workers and working conditions during extreme heat. Extreme weather events not only necessitate climate related disclosures but human capital disclosure as well.
- Diversity, equity and inclusion:
Level of Importance - 2
Data on diversity at all levels allows investors to evaluate a firm's talent pipeline and effectiveness of D&I efforts. Currently however, comparable information is lacking on this material topic. Company investment in DEI can improve company culture, allow a company to leverage a variety of skills and viewpoints and increase productivity. When these elements are lacking there is greater risk of turnover and lower levels of engagement. Companies that prioritize diversity are better positioned to generate long-term value and thus it is imperative for investors to have access to disclosure on this topic beginning with the composition of the workforce to the policies and practices in place that impact human capital.
- Employee engagement:
Level of Importance - 4
Employee engagement is correlated with workforce stability and turnover which are both identified as fundamental metrics for company disclosure by the Human Capital Management Coalition. More highly engaged employees are more likely to be retained. Companies with higher retention perform better. Furthermore, turnover can be costly for companies, in direct replacement costs as well as loss of knowledge, social capital and productivity. Productivity losses are also a large risk from lower engagement. Employee engagement measures are a corollary to investment in the workforce.
- Workforce investment:
Level of Importance - 3
Workforce investment and employee engagement interact with one another. Investment in training, and development can increase workforce stability and productivity, alongside increasing engagement. These workforce costs, when communicated to investors can be helpful in assessing risk. Furthermore, as the climate transition progresses, and with the advent of generative AI tools, the human capital needs of businesses are changing and the investment that a company puts into retaining or retraining its workforce is critically important for investors to understand.
- The alternative workforce:
Level of Importance - 6
Understanding the composition of the workforce is vital to investors. Companies with a high proportion of alternative workers face reputational risk and also workforce stability risks. Thus disclosure of the composition of the workforce should provide a comprehensive picture to investors.
- Labour conditions in the value chain:
Level of Importance - 7
Human rights should be evaluated as a component of human capital since it is inextricably interwoven with many of the topics suggested in the consultation. Understanding how human rights issues impact workers and consumers throughout the value chain gives investors an understanding of the overall strategy and management of material risks for a company.
- Workforce composition and costs:
Level of Importance - 1
Workforce composition information (including full-time, part-time and contingent workers) allows investors to contextualize disclosures about workforce changes. It is the baseline data that can provide information related to the trajectory, size and scale and stability of company operations. The costs associated with the workforce is another fundamental metric that provides insights on the effectiveness of dollars invested in the workforce and its impacts on productivity. These two disclosures would provide investors with a significant amount of comparable information that is currently lacking.
- Other—please specify:
We are supportive of company disclosure aligned with the Human Capital Management Coalition foundational reporting metrics that include 1) Workforce Composition, 2) Workforce Costs, 3) Workforce Stability and Turnover and 4) Diversity Data. All of these reporting metrics are interrelated with the subtopics noted above.

**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?

- No

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

Different industries have varying workforce concerns, for instance tech vs. the apparel industry will face different material risks, the former might face talent retention or DEI issues while the latter might be at more risk for human rights concerns within the value chain. However, there are several foundational metrics that all companies regardless of industry and jurisdiction can share with investors to allow investors to understand the core concerns of the business and contextualize the nuances between each company's human capital risks and opportunities. Every company has workers or interacts with workers in the value-chain and thus disclosure is extremely important for investors. We are supportive of company disclosure aligned with the Human Capital Management Coalition foundational metrics that include 1) Workforce Composition, 2) Workforce Costs, 3) Workforce Stability and Turnover and 4) Diversity Data. We also believe that human rights concerns should be integrated with climate and human capital disclosures given the intersections between these issues.

**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:
Priority Level - 4
tailored disclosures allow for nuance
- The International Labour Organization (ILO):
Priority Level - 5
International applicability
- The European Financial Reporting Advisory Group (EFRAG):
Priority Level - 6
Standards for reporting already in use in some markets
- The Global Reporting Initiative (GRI):
Priority Level - 3
Significant issuer adherence
- The US Securities and Exchange Commission:
Priority Level - 2
Regulatory alignment ensures greater disclosure
- Other—please specify:
Priority Level - 1
Human Capital Management Coalition
Large investor consensus on material human capital disclosures

**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.

Human rights risks can impact companies across developing and developed markets, is a component of human capital and intersects with climate risks. Thus the subtopics that should be considered first are those that build off of climate disclosure and foundational human capital metrics.

**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.

Human rights risks manifest differently based on geography and sector but they are a relevant human capital issues for all companies at some point in the value chain. The interrelated nature of this topic with human capital and climate risks show that it shouldn't be considered separately. For instance, human rights risks exist directly within the workforce in companies in developed and emerging markets (examples include – underage workers in US factories, Just Transition, human trafficking and others). Policies covering human capital can also cover these risks and thus shouldn't be differentiated. Climate also connects with the topic of human rights; Indigenous land rights is a human rights topic that relates to biodiversity and climate and thus the reporting in this space has the potential to be integrated to provide a more holistic picture of material risks to investors.

**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.

N/A

**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**

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?

The implementation of S1 and S2 should be the highest priority, there is significant momentum for decision-useful disclosures and that should be leveraged for the benefit of investors. If resources are available to conduct other projects, then the ISSB should evaluate human capital as a topic for standard setting. Human capital risks and opportunities are relevant across all companies and investors are eager to see more disclosure on this important asset. Risks and opportunities facing companies rarely exist within a vacuum; they intersect with other. Human capital and human rights are inextricably linked. In order to ensure that any standards are relevant and comparable across geographies it is important to keep these two topics together. Climate risk is also an area that overlaps and touches upon human capital, biodiversity and human rights and if new standards setting projects are pursued, making the connection between these topics should be considered.

Please see the following for prior statements in support of international sustainability-related financial disclosures and climate-related disclosures.

<https://www.calstrs.com/files/42402af56/ISSBCommentLetteronClimateRelatedDisclosures.pdf>

<https://www.calstrs.com/files/1a625d9da/SECCommentLetterOnClimateDisclosureRule.pdf>

<https://www.calstrs.com/files/2bfce4fd2/supplementtoregulations-k-101c.pdf>