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Dear Colleagues,

Request for Information on the IFRS Consultation on Agenda Priorities

Thank you for the opportunity to contribute to this consultation.

The EIRIS Foundation is a research, advice and advocacy charity that seeks to pioneer the next steps in Sustainable Finance. Our expertise on corporate disclosure stems firstly from our work creating the Corporate Human Rights Benchmark with five other partners and subsequently being the research partner undertaking the research (now for the World Benchmarking Association), and secondly from our previous ownership of EIRIS (the ESG Rating agency) from 1983 to 2015 before the merger that created Vigeo Eiris which then became a starting point for Moody's ESG.

We are limiting our remarks to a subset of the questions posed:

Question 3 – new research and standard setting project

- (a) One or more projects: we would argue for more than one for the reasons given below
- (b) Which project to prioritize

This is a very difficult judgement, particularly between Biodiversity, Human Capital and Human Rights given the important of all three to ESG analysis of risks, opportunities and impacts.

It is being increasingly recognised that there will be no human capital or human rights without nature even if all the ways in which this truth will have economic impact are still being explored and understood. Human rights, for example the rights of indigenous peoples and other civil and political rights that protect "civic space", are also vital to the protection of biodiversity and nature in practice. And without the development of human capital and the productivity and innovation that come from it there will be individuals and communities left behind in ways that can threaten human rights and biodiversity as well as many other things. So, the issues and their risks and opportunities are very entangled.

But if an answer to this question has to be found, one way to approach it might be to acknowledge that the development of biodiversity measures & metrics (including the general field of "geo-spatial ESG") is advancing quite rapidly at the present time, and that the job of a standard setter will get easier (and proposals more likely to stand the test of time) as that process advances. Perhaps ISSB could find means to encourage other parties to advance the required metrics and analysis of risks and opportunities. For

example, by a clear signalling of future intentions, or by clarifying which developments would be particularly helpful to ISSB in taking up this task in its next wave of development, or even setting particular missions to different players or for the attention of all those who are willing to take up the task.

Human capital seems to be an area with a long-standing demand from investors, a recognition by many companies of people as “their most valuable asset” and a lot of prior work in SASB and elsewhere to build upon. For these reasons it seems a good candidate for speedy and effective progress.

Human Rights, including labour rights are also well defined over a long period of time, and the UN Guiding Principles on Business and Human Rights were approved globally in 2011 together with their human rights due diligence framework (often referred to as HRDD). HRDD provides a means to avoid, minimise or remedy business linked human rights impacts. It includes identifying and tackling such issue through means including stakeholder engagement, grievance mechanisms and developing leverage with business partners in cases where the entity neither causes nor contribute to the human rights harms it find itself linked to. This combination is intended to address such impacts and risks while they remain relatively small, both in terms of impact on the rights holders, and in the economic impact of stakeholder response or direct costs to a company.

The work involved in developing Human Rights criteria would be much simplified by concentrating upon assessing the quality and effectiveness of HRDD and the related risks and opportunities as a first step, rather than attempting to create frameworks for different Human Rights individually.

The problem with attempting Human Capital without also attempting Human Rights Due Diligence is that you could not leave labour rights like discrimination, bargaining rights, the use of forced or child labour or the right to a safe workplace entirely out of a Human Capital exercise. And since HRDD is designed to apply to all rights, there is not much time and effort to be gained (and a lot lost in terms of understanding risks and impacts) by setting disclosure standards for HRDD only in relation to labour rights.

So, we would encourage you to look for means to provide incentives or guidance for other parties in the biodiversity space; to focus Human Rights solely on due diligence; and then to attempt both Human Capital and Human Rights in parallel.

You will be aware of the calls from Shift, the B team and WBA for the creation of a wider programme of social standard setting. Their call for a framework addressing all stakeholders is helpful, but moving forward on human capital and the human rights due diligence as it applies to all stakeholders is an important first step on that path. Perhaps there is some means to encourage further development of the sort of model they have in mind by other parties to inform the next wave of ISSB work in the social arena?

Question 5: Human Capital

- (a) Subtopics: the list provided are all important aspects of Human Capital, and we particularly welcome the inclusion of DEI, the alternative workforce, the recognition that human capital in the supply chain is as important as the supply chain itself for many businesses, and the inclusion of mental health in worker wellbeing. Understanding the skills and capabilities of the workforce (particularly in relation to tasks at hand) and understanding labour turnover would seem to be important other aspects.
- (b) Whether risks and opportunities apply across all business models and activities or need to be tailored to specific industry, sector or geography: the areas you list can all be sensibly measured in

any enterprise. The ways in which they translate into risk and opportunities will vary, but probably for many users of the accounts, the importance that a company places of each of these factors in its future plans and the steps it is taking to improve and develop those it judges to be important, would enable those users to make their own judgements about the alignment of human capital development with the needs of the business concerned, and those who work for it.

Question 6: Human Rights

- (a) Sub-topics: we have argued already that the focus should be on human rights due diligence as applied to all stakeholder (and that includes heightened due diligence in relation to conflict affected areas) rather than exploring different human rights individually. In the context of HRDD, key sub-topics that a user of accounts may wish to understand include:
- a. Which risks have been identified as being of most importance to the rights holders (“salient risks”) across all stakeholder groups, and the thoroughness and reliability of that process
 - b. What steps the business has made to avoid, reduce or mitigate such risks, including throughout its value chain
 - c. What remedies it has provided in cases where impacts have occurred (or are claimed) and the degree of satisfaction of the right-holders with such remedies
 - d. How the business assesses the effectiveness of those strategies from time to time and what is it learning in the process for the future
 - e. What grievance mechanisms it has in place, how they are operating and what they are learning from the changing pattern of grievances over time
 - f. Throughout the above, how the company engages with, is guided by and learns from its stakeholders and the quality of those relationships.

While it would be possibly to identify risks and opportunities in relation to each of these sub-topics, the purpose of them as a process is to control, reduce and remedy human right harms or impacts that might otherwise occur.

The materiality of human rights impacts to the business arises on at least three levels:

1. Because we are referring to rights, some of those rights, and probably an increasing number, are subject to legal action, criminal or civil, or other remedies. So, there is direct materiality that can be measured for the past and estimated for the future.
2. The EUCSDD will make HRDD a direct obligation for a number of companies.
3. Because rights tend to have been hammered out over long periods of time and often represent a widely held view of minimum standards or “fair play”, to be seen to breach such rights can attract the higher end of adverse stakeholder action. That may be from workers, customers, local communities, business partners, regulators or shareholders in any situation where people have a choice or a means to act. Without trying to analyze all the ways this can affect growth, costs or business risks the purpose of the disclosure framework should be to help report users understand how the business sees those human rights risks and opportunities, particular as drivers of trust and cooperation amongst stakeholder groups that it regards as central to its future business success.

- (b) Whether risks and opportunities apply across all business models and activities or need to be tailored to specific industry, sector or geography: the HRDD process is designed to work in any sector or geography and starts with an assessment of what matters most to stakeholder that will be context specific. But the potential importance of the issues to the value of the business will vary by context as well. The purpose of the framework should be to make transparent the way the business see the significance of the risks and opportunities, to understand any relevant sector, geographical or business model context in which it operates, and to facilitate comparison of the approach of the company with other companies in similar circumstances.
- (c) Source of materials to build upon: the sources mentioned are all valuable, and we particularly welcome the reference to the Corporate Human Rights Benchmark. CHRB benefitted from widespread consultation with over 400 stakeholders (companies, NGOs, investors and business and human rights experts) at the time of its creation in 2013-2015 and benefitted from a further major stakeholder consultation by the World Benchmarking Alliance when it updated the methodology in 2020/21. Because it is focused on rating corporate performance on the basis of public information, it should be a particularly useful indicator of whether information disclosed is likely to be useful in practice.

Once again, we are grateful for the opportunity to provide input to this consultation, and we remain available to assist your important work in other way we can.

Yours sincerely,



Peter Webster
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EIRIS Foundation