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**29<sup>th</sup> August 2023**

***Subject line: Investor group calls on the ISSB to embark on human rights and human capital concurrently, and as a priority***

Dear Members of the International Sustainability Standards Board (ISSB),

We are writing as a group of responsible investors, with over one trillion US dollars in assets under management, to call on the ISSB to prioritise researching human capital and human rights disclosure standards in its upcoming two-year work plan.

We believe considering these two areas together would have significant benefits and would prevent risks to the usefulness of the standards.

### **Why the ISSB must prioritise human capital and human rights**

It is imperative the ISSB prioritises human capital and human rights in its upcoming workplan. The financial materiality of human capital and human rights-related topics – and the critical role of human rights due diligence in identifying business risks – has never been clearer.

In recent years, businesses have been increasingly affected by growing resignation numbers, layoffs, and stalling labour market recoveries following the COVID-19 pandemic. Several studies have found high social and governance scores to have highly significant positive relationships with firm value. For example, a meta-analysis from the University of Hamburg identified “a virtuous circle between corporate social performance and corporate financial performance”.<sup>i</sup> This, combined with new ShareAction data showing 74 percent of Britons have a more negative view of financial institutions investing in companies that do not meet human and labour rights standards, emphasises how comprehensive social disclosures are becoming increasingly business-critical.<sup>ii</sup>

It is our belief that investor demand for greater volumes of better-quality workforce data – and interest in related issues – is at an all-time high. This is demonstrated by the more than 60 investors, with over USD\$10 trillion in assets under management, who are signatories to the WDI,<sup>iii</sup> and the 255 investors who have endorsed the UNPRI’s ‘Advance’ human rights initiative.<sup>iv</sup>

### **Why the ISSB should consider human capital and human rights together**

In its current Request for Information, the ISSB has opted to separate human capital and human rights into two separate research areas.

By siloing these two highly interconnected topics, the ISSB is not reflecting the reality of market practices. In practice, neither companies nor investors treat human capital and human rights as two distinct, separate

areas. Human rights due diligence processes, for example, are used as key tools for identifying labour issues.

There are numerous further areas of crossover, including concepts like unionisation and diversity and inclusion, which are clearly both human capital and human rights issues. By separating them out conceptually, the ISSB risks creating overlapping disclosures which will add further confusion to the already fragmented social disclosure framework currently being navigated by companies and investors.

More than this, by not integrating human capital and human rights, the ISSB risks the integrity of any disclosure standards which may arise from the research process. Investors are in dire need of a unified social disclosure framework. To effectively meet this demand, this group calls on the ISSB to embark upon a joint research project which will serve to provide market clarity on how to consider and disclose human capital and human rights information as a whole.

It should be noted that integrating research into human capital and human rights should not undermine the reporting scope and quality of either topic. When conducting this research, the ISSB should ensure it addresses both overlapping and separate areas of human capital and human rights, and ensure the full spectrum of possible actors this reporting would address (such as direct operations workers, workers in the value chain, and communities) are all adequately considered.

### **Concluding remarks**

The ISSB is perfectly placed to effectively - and successfully - take on the issues of human capital and human rights as a priority. It already has “a running start” as its work can draw upon the multitude of existing investor-focused disclosure frameworks, such as the WDI. This, combined with a high level of investor and business demand for comprehensive social standards, provides the ISSB with a unique opportunity to develop universally accepted standards for human capital and human rights-related disclosures.

However, for the ISSB to deliver these standards in a truly meaningful way, it should embrace the connections between human capital and human rights and ensure its research considers how to disclose human capital and human rights information together. For this group of responsible investors, this research cannot come soon enough.

Yours sincerely,

### **Workforce Disclosure Initiative**

**Achmea**

**Achmea Investment Management**

**Castlefield Partners**

**Church of England Pensions Board**

**Domini Impact Investments, LLC**

**EQ Investors**

**ESG- AM**

**Ethos Foundation**

**Ethos Engagement Pool International**

**Interfaith Center on Corporate Responsibility**

**Impax AM**

**La Française Group**

**Local Authority Pension Fund Forum**

**Montanaro Asset Management**

**Northern LGPS**

**Partners Capital LLP**

**Polunin Capital Partners**

**Raiffeisen Schweiz**

**Rathbone Greenbank Investments**

**Robeco Asset Management**  
**Quantum Asset Management**  
**Scottish Widows (Lloyds Group)**  
**Sycomore Asset Management**  
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