

July 2024

ShareAction response to the TISFD request for feedback

The Taskforce on Inequality and Social-related Financial Disclosures (TISFD) is a global initiative to develop recommendations that enable businesses and investors to effectively identify, assess, and report on their inequality and social-related risks, opportunities, and impacts. The TISFD Working Group requested feedback on the technical scope of the TISFD, including its thematic scope, materiality approach, and interoperability with existing standards and frameworks. We have given feedback on all the propositions below.

This response is on behalf of ShareAction with input from 7 institutional investors, including asset managers and asset owners with over \$600 billion in AUM.

Question 1

Thematic Scope

- Due to the breadth of inequality and social-related issues, the Taskforce will need to take a broad approach. However, in order for companies and financial institutions to fully understand their impacts on people and strengthen their disclosure of inequality and social-related impacts, specific thematic issues should be highlighted. As the TISFD plans to prioritize disclosure recommendations of general relevance and/or that most meaningfully allow users of information to respond to widespread or significant social and inequality-related risks, opportunities and impact, we are advocating for health-related disclosures to be a priority.
- By encouraging more corporate transparency around health-related risks, opportunities, and impacts, the Taskforce will facilitate access to decision-useful information for a range of stakeholders. For investors, this will allow them to better assess whether directors are appropriately mitigating the broad range of financial risks to companies and to demonstrate leadership on key ESG topics. Just as important, for wider stakeholders such as employees, consumers, and communities, this information provides assurance that a company is supporting worker health, allows for more health-driven buying decisions, and gives insight into corporate impacts on community health.
- Population health is strongly linked to economic output. Non-communicable disease results in significant costs to businesses as they are associated with reduced productivity and increased presenteeism and absenteeism. Not only is good health vital at an individual level for quality of life but also at the systemic level. This is why investors are increasingly considering health in their investment practices.

- ShareAction’s Long-term Investors in People’s Health (LIPH) programme is a group of 47 global institutional investors (representing over \$5tn in AUM) who lead the field in integrating health into their investments and stewardship. While these types of investor initiatives are raising the profile of health as a responsible investment topic, it is still considered an emerging ESG topic in comparison to the market at large. Just as climate-related financial disclosures have pushed investors and the investment system to play an active role in solving the climate crisis, more defined health-related disclosures will continue to push health considerations up investors’ agendas, allow regulators and governments to understand health impacts in specific sectors, and ultimately contribute to improved health outcomes.

Question 2

Materiality Approach

- It is critical to develop disclosure recommendations that encompass both the financial materiality approach and an impact materiality approach. This provides flexibility for the TISFD to be interoperable with the ISSB standards, which do not require double materiality. However, corporate impacts on social issues such as poor health and low pay pose systemic risks to diversified investors by undermining the economic and social systems upon which economic prosperity is based, stunting long-term company profits, and in turn investor returns. Therefore, we would recommend being as ambitious as possible in defining materiality.
- We think the proposed research into the overlap between impact materiality and financial materiality will be enormously beneficial to the success of this work, and we would be interested and willing to support TISFD in this endeavour.
- Similarly, the TNFD is flexible in its approach to materiality and supports a double materiality approach in theory, with the recommendations of the framework encouraging companies to use their jurisdictions’ regulatory approach. For impact materiality to be consistent with the TNFD, the recommendations and definition would need to align to the GRI standards.

Question 3

Alignment with International Standards of Conduct

- It is important that existing frameworks are used to avoid increasing disclosure burden on corporates and minimise data source conflicts. With the International Sustainability Standards Board (ISSB) developing a global baseline for sustainability-related disclosure standards and many jurisdictions planning to adopt the standards, it is crucial that there is interoperability. However, it is important to go beyond the ISSB’s standards and proposed standards, particularly on health and wellbeing. The scope of the ISSB’s research on a social standard is limited to human capital risks and opportunities, which only touches on health from a physical health and safety perspective and possibly mental wellbeing.
- On diet-related ill health, the UK Government’s Food Data Transparency Partnership is working to suggest metrics on healthiness of products, which the TISFD could endorse.

- Investors in ShareAction’s Long-term Investors in Peoples’ Health (LIPH) programme have also suggested aligning with the UN Global Compact.

Question 4

Interoperability with Existing Standards and Frameworks

- We are encouraged to see the Taskforce reference the interlinkages between climate, nature, and social-related risks and impacts. We hope that this focus on systemic risks continues as it is important for investors and other stakeholders to join the dots.
- We recognize the importance of the TISFD, TNFD, and TCFD all sharing a foundational structure and agree there is a balance to strike in how many adaptations are made to the TISFD. The intentional alignment of the TNFD with the TCFD allows companies to straightforwardly adapt their current disclosing practice to include nature. However, there have been some repeated criticisms of the TNFD that the TISFD should be aware of and avoid.
- A significant concern of the TNFD centres on the fact that disclosing impacts and dependencies on nature does not mean a company is required to act to mitigate these impacts – whether that be damage to ecosystems or harmful impacts on human rights. The TISFD should be mindful that disclosures do not become a means to an end but are the starting point for understanding impact, which leads to real world change. Also, the framework relies on self-reported information regarding risks and impacts based on a small set of ‘core’ metrics and a wider set of additional metrics.
- The TNFD’s lack of reference to the rights of Indigenous Peoples and local communities throughout development of the framework, was a missed opportunity to bring in the voice of these affected communities. We agree with the TISFD’s approach to include broad participation by civil society, labour organizations and marginalized groups alongside investors and business in the Taskforce’s structures, deliberations and decisions.
- Despite the TNFD’s shortcomings, it is an important step in the right direction. We hope the TISFD is looking closely at the criticisms of the TNFD and factoring those into its final recommendations.
- Note: ShareAction with Chronos Sustainability reviewed what health-related metrics were captured in existing standards. See Appendix 3 here in the Investor Health Guide.

Question 5

Proposed Outputs

- ▶ A global disclosure framework: A global framework containing disclosure recommendations and associated guidance.
- ▶ Conceptual foundations and definitions: An organising framework for understanding key social and inequality-related concepts and how they interrelate.

- ▶ A body of evidence on impact and risk channels: A repository of existing and new research that sheds light on the relationships between business and investor impacts on people and inequalities, associated idiosyncratic risks, and the system-level risks associated with inequalities and social-related issues.
- ▶ Guidance on metrics, indicators, and data: Guidance on the use of meaningful and decision-useful metrics, indicators and data in the reporting of inequality and social-related impacts, dependencies, risks and opportunities.
- ▶ Guidance on the use of thresholds and targets: Guidance on the use of thresholds and targets in the reporting of social and inequality-related impacts, dependencies, risks and opportunities
- ▶ Guidance on identification and assessment: Guidance on the identification and assessment of material inequality and social-related impacts, dependencies, risks and opportunities.
- ▶ Capacity-building resources: Accompanying materials to support a broad range of audiences, including businesses, investors, policy makers, labour unions, civil society organisations, and affected stakeholders, such as workers and rural and indigenous communities, in using the TISFD’s disclosure framework and recommendations.

Does this resonate with you? Please share any questions or reactions you may have.

- We agree with the proposed outputs. As one of the intended outcomes is for policymakers to embed TISFD recommendations into law, we are encouraged to see the planned capacity-building resources for policymakers included. It is important that policymakers, who hold the power to mandate these disclosures, are informed of the links between social disclosures and economic stability. Also, guidance on how this data could help to inform future policy decisions would be vital in expanding mandatory reporting beyond climate.
- Investors in our Long-term Investors in Peoples’ Health (LIPH) programme have suggested that best practice examples or case studies be included. We would be happy to work with the TISFD to provide some of these case studies. Investors in our programme also highlighted the outcomes that are likely to be the most helpful to them:
 - A global disclosure framework
 - A body of evidence on impact and risk channels
 - Guidance on metrics, indicators, and data

Question 6

Intended Outcomes and Impacts

- ▶ Companies and financial institutions understanding their impacts and dependencies on people and strengthening their identification, measurement, management and disclosure of inequality and social-related impacts and the associated financial risks and opportunities
- ▶ Financial institutions recognizing inequality as a system-level risk (and missed opportunity, as concerns the benefits of reducing inequality), understanding the aggregate impacts of both investees and their own activities on inequalities; and integrating this understanding in their assessment of financial risks and how they allocate and price capital, engage with investees, and structure investments

- ▶ Standard-setters and policy makers embedding TISFD recommendations in reporting standards and laws, fostering global harmonization
- ▶ Benchmarking and rating providers improving the accuracy and relevance of social-related benchmarks and ratings
- ▶ Civil society organizations being able to hold companies and financial institutions to account for how they address inequality and social-related issues
- ▶ Governments, financial supervisors and macroprudential authorities using disclosures to formulate more effective policies and strategies for the safeguarding of societies and financial systems

Does this resonate with you? Please share any questions or reactions you may have.

- We agree with the proposed outcomes.

Question 7

Gaps and Weaknesses in Metrics and Indicators

- From the investors in our Long-term Investors in Peoples' Health (LIPH) programme, we have collated responses around the gaps in disclosure indicators and metrics that they would like to bring to the attention of the Taskforce.
 - Workers' rights
 - Human rights
 - Health
 - Proportion of food companies' product sales that are classed as healthy using a government-endorsed definition such as Health Start Rating (EU) or HFSS (UK)
 - Air quality emissions (scope 1, 2 and 3), specifically PM10, PM2.5 and NOX
 - If employees are paid the living wage and/or are Living Wage accredited (e.g. as defined by the Living Wage Foundation in the UK)
- We would further emphasise the need to focus on worker health and wellbeing. This starts with equality in the workplace.
 - Proportion of workers paid below the real Living Wage
 - Number of third-party contracted workers regularly working on-site and their rates of pay
 - Number and/or percentage of the company's employees on each contract type as a proportion of the total direct operations workforce (permanent, fixed-term, full-time, part-time (with working hours thresholds, non-guaranteed hours, agency))
 - Measures in place to support workers when sick
 - Ethnicity pay gap