ISSB Request for Information *Consultation on Agenda Priorities*: FCA response

1. Introduction

The FCA congratulates the International Sustainability Standards Board (ISSB) on the publication of IFRS S1 and IFRS S2 in June and welcomes the opportunity to contribute views on the next phase of its work in response to this Request for Information (RfI).

The publication of the first two standards and subsequent endorsement by the International Organization of Securities Commissions (IOSCO) is an important milestone in the mainstreaming of sustainability in finance. The ISSB's standards address the clear market demand for complete, consistent, globally comparable and investor-material corporate disclosure on sustainability-related matters. Including this information in annual financial reports, connected with the financial statements, will: inform companies' own decisions, and capital allocation by investors and lenders; feed data services; underpin the design of financial instruments and products; and steer corporate decisions along the value chain.

With our response, we encourage the ISSB to continue its work to build out its suite of sustainability reporting standards, as part of a comprehensive work programme that also embeds the first two standards.

This is consistent with the G7 Hiroshima Leaders' Communiqué, which encourages the ISSB to advance sustainability reporting beyond climate: "We also look forward to the ISSB's future work on disclosure on biodiversity and human capital, in line with its work plan consultation."

We note that IFRS S1 already requires disclosure of material information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or its cost of capital over the short, medium or long term. And we note that IFRS S1 sets out relevant sources of guidance. However, developing additional IFRS Sustainability Disclosure Standards to consider the specific matters related to each key category of sustainability-related risks and opportunities will assist entities in making their disclosures.

The UK Government has asked us, alongside the Financial Reporting Council (FRC) and the UK Endorsement Board to respond to the ISSB's consultation from the perspective of our respective regulatory objectives and functions. Our response reflects our perspective as a securities and conduct regulator, guided by our strategic objective to ensure that financial services markets function well and our operational objectives to: protect and enhance the integrity of the UK financial system; secure an appropriate degree of protection for consumers; and promote effective competition in the interests of consumers. It also reflects our ESG strategy, anchored in the delivery of transparency and trust to help enable a market-led transition to a more sustainable economy.

2. Summary of our views

This response sets out our high-level views on the ISSB's forward agenda. We have not responded to each question in detail. Rather, we share our broad perspective on the strategic direction of the ISSB's work, cross-referencing relevant questions where applicable.

The strategic direction of the ISSB's work for the next 2 years should be towards embedding IFRS S1 and IFRS S2, while also launching a comprehensive work programme to build out a suite of investor-material sustainability-related disclosure standards beyond climate. We encourage the ISSB to start with nature in the short term and continue with social issues in the medium term. Our key messages are, as follows:

- We encourage the ISSB to consider a comprehensive work plan that progressively:
  - embeds IFRS S1 and IFRS S2 effectively (e.g., through capacity building, implementation monitoring and further elaboration of the conceptual underpinning and architecture of the standards)
  - advances work to develop new thematic standards beyond climate change
  - prepares for the steady consolidation of the existing Sustainability Accounting Standards Board (SASB) standards
  - pursues targeted enhancements to the standards, with an initial emphasis on the development of guidance on transition plan disclosures
- There is a clear urgency to act, globally, to address growing and increasingly prominent climate and biodiversity challenges – and to do so with due regard to the societal implications. Decision-useful, investor-material information on environmental and social risks and opportunities will help private actors in the real economy and the financial services sector play their part in the transition to a more sustainable economy.
- We call on the ISSB to move swiftly to start work towards developing a thematic standard on nature in the short term. We acknowledge the resource constraints to launching new projects. We therefore encourage the ISSB to leverage existing work that would enable the development of a standard quickly – notably the Taskforce on Nature-related Financial Disclosures (TNFD) framework. We also note the importance of having careful regard to the interdependencies between sustainability topics, and in the medium term encourage the ISSB to consider a project that jointly develops a thematic standard for reporting on human capital and human rights – again leveraging existing work.

3. Background on FCA engagement with the ISSB's work

We have been a strong advocate for the work of the IFRS Foundation in this area. In 2020, we joined the UK Government and financial regulators in a statement of support for the IFRS Foundation's assuming a standard-setting role for sustainability-related financial reporting and submitted an independent FCA response to the IFRS Foundation's Consultation Paper on Sustainability Reporting. We also provided comments to the 2022 ISSB's consultation on Exposure Drafts of its first standards and are pleased to have had the opportunity to engage directly with the ISSB as a member of its Jurisdictional Working Group.

Since 2020, we have also co-chaired international work on sustainability reporting at IOSCO. Under our co-leadership, IOSCO set out its 'vision' for the global corporate reporting architecture (in a report published in June 2021). In July 2023, IOSCO endorsed the ISSB's first standards, IFRS S1 and IFRS S2, calling "on members to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards". IOSCO is committed to working closely with the ISSB to support implementation, including through a comprehensive capacity building programme, and welcomes the ISSB's work to develop an Adoption Guide.

In the first half of 2024, we intend to consult on updating our TCFD-aligned disclosure rules for listed companies to refer to UK-endorsed ISSB standards. The 45th edition of our Primary Market Bulletin (PMB) sets out our proposed approach to implementing the standards.

4. Strategic direction and balance of the ISSB's activities

This section is relevant to Questions 1, 2, 3 and 7.

We agree with the ISSB's characterisation of the activities that should drive its strategic direction for the next two years (as described in Question 1):

(i) beginning new research and standard-setting projects
(ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2
(iii) researching targeted enhancements to the ISSB Standards
(iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards

According to paragraphs 15-17 of the RfI, with the exception of the new projects, all of these activities constitute "foundational work" that is already underway. From our engagement with the ISSB, we are confident that the ISSB is prioritising this important foundational work and is on track to provide essential implementation guidance, capacity building and overall support for the successful application of IFRS S1 and IFRS S2.

The four activities are interrelated. All will contribute to embedding effectively IFRS S1 and IFRS S2 and continuing progress towards a full suite of sustainability-related reporting standards. Therefore, we encourage the ISSB to consider a comprehensive work plan. Consistent with paragraph 39 of the RfI, this may require that the ISSB work "concurrently" and "on more than one project and make more incremental progress on each of them".

In embedding IFRS S1 and IFRS S2 it is important that the ISSB and the International Accounting Standards Board (IASB) continue to work together to ensure that the ISSB's new requirements can be applied effectively alongside existing financial reporting requirements.

In this regard, we welcome that the ISSB uses the same definition of materiality as IFRS Accounting Standards, and note provisions in the ISSB's Standards requiring that an entity disclose the effects of sustainability-related risks and opportunities on its financial position, financial performance and cash flows over the short, medium and long term.

We also welcome the complementary work at the IASB on the consideration of climate risks in the financial statements and the IASB's updated educational material, republished in July 2023, for companies to report on climate-related matters in financial statements when those effects are material. The update acknowledges that "consideration of the ISSB's Standards may help companies better identify matters that affect the financial statements and help companies apply IFRS Accounting Standards".

Consistent with the FRC's response, we consider that it would also be beneficial to develop a Conceptual Framework to support sustainability-related financial disclosure standards – or at least further clarify whether and how the IASB's Conceptual Framework can serve this purpose.

Our views on the ISSB's strategic direction also reflect the G7 position referenced above, noting that the UK was among the countries who played an instrumental role in brokering the Kunming-Montreal Global Biodiversity Framework (GBF) at COP15 in December 2022. The GBF aims to preserve 30% of the world's lands, inland waters, coastal areas and oceans by 2030 (the 30x30 commitment).

UK laws such as the Environment Act 2021 and the Financial Services and Markets (FSM) Act 2023 include measures that will enable implementation of those international environmental commitments in the UK. In particular, the FSM Act 2023 obliges financial regulators, including the FCA, to have regard to the UK net zero emissions and environmental targets and to contribute towards the achievement of such targets, where "each regulator considers the exercise of its functions to be relevant to the making of such a contribution". We consider that building out the ISSB standards will help enable a contribution in line with FCA objectives.

Overall, regarding the strategic direction and balance of the ISSB's activities, we recommend the following:

- *Effective implementation of the first standards.* We welcome the ISSB's commitment to support the effective implementation of IFRS S1 and IFRS S2 to ensure that they operate effectively, through the establishment of a Transition Implementation Group, and an extensive capacity building programme. This programme includes the IFRS Foundation's Partnership Framework where the UK Foreign, Commonwealth & Development Office is a member. We note the recent call for feedback on the development of a new ISSB Knowledge Hub and e-learning platform which will help the IFRS Foundation identify stakeholders' main implementation challenges and capacity-building priorities. Along with fellow IOSCO members (as noted above), we also welcome the ISSB's commitment to elaborate adoption guidance to set parameters for "jurisdictional scaling and phasing-in" of the standards, including by identifying circumstances in which relevant authorities might consider brief extensions to the transitional reliefs included in the standards.

- *Development of reporting standards beyond climate.* We encourage the ISSB to begin work towards a thematic standard on nature, informed by the final recommendations of the TNFD. In the medium term, we also encourage further work towards the development of a thematic standard on social issues, covering human rights and human capital and drawing on the ISSB's existing intellectual property. We elaborate our views in Section 5, below.

- *Clarification of the architecture of the standards.* As the ISSB develops its standards beyond IFRS S1 and IFRS S2, including additional thematic standards, we recommend that the ISSB clarify the intended future architecture of its standards. We recommend that the ISSB indicate its intention regarding the broad thematic categories of sustainability topics that it is working towards, as well as the interaction between thematic and industry-based standards. For example, stakeholders will be interested to understand whether future thematic standards will adopt a similar structure to that in IFRS S2 (i.e., incorporating both cross-industry and industry-based content).

- *Consolidation of industry-based information in the SASB standards.*
    - We strongly support the ISSB's inclusion of industry-based disclosure requirements. This recognises that the industry in which an entity operates is key to identifying the sustainability-related risks and opportunities that could reasonably be expected to affect its prospects – and therefore key to determining the information related to

those risks and opportunities that may be useful to primary users of general-purpose financial reports.

  - This position is consistent with our response to the ISSB's consultation on Exposure Drafts of its first standards. In Primary Market Bulletin 42 and PS21/23 (Enhancing climate-related disclosures by standard listed companies), we also encouraged listed companies to consider SASB metrics for their sector when making disclosures against the TCFD's recommendations.

  - We support the ISSB's decision in the final version of IFRS S2 to include the SASB Standards as Accompanying Guidance, rather than an integral part of the standard. We had suggested this in our response to the consultation on the ISSB's Exposure Drafts. As part of our response, we noted that "it will be important that the ISSB satisfies itself that a rigorous IFRS Foundation due process has been completed before this content can be considered part of the ISSB's global baseline". Therefore, if the ISSB were to consider making reporting against the SASB Standards an integral requirement under its standards, the full content of the SASB Standards should be subject to stakeholder feedback and rigorous IFRS Foundation due process.

- *Targeted enhancements to the ISSB Standards.*

  - The RfI highlights that this work can particularly relate to the provision of guidance on nature and just transition disclosures relevant to the application of IFRS S2. We support the recent ISSB decision to implement these targeted enhancements by developing educational materials for nature and social aspects of climate-related risks and opportunities.

  - As IOSCO observed in its Technical Assessment Report, published alongside its endorsement decision, "over time, the ISSB may need to further elaborate disclosure expectations in areas such as transition planning, which is increasingly under scrutiny." The Transition Plan Taskforce (TPT) has developed a set of disclosure recommendations on transition planning. These have been designed purposefully to integrate with and build from the ISSB Standards. The TPT's recommendations help to elaborate the key elements of a good practice climate transition plan, supporting existing requirements in IFRS S2 (e.g., the requirement in paragraph 14(a)(iv) that an entity "disclose any climate-related transition plan that [it] has"). We encourage the ISSB to consider developing additional guidance in this area, drawing on the final outputs of the TPT, expected in the Autumn. Our recent PMB article describes our planned approach to implementing disclosure requirements for listed companies, referencing UK-endorsed ISSB Standards and the TPT recommendations as a complementary package.

- *Integration in financial reporting.*

  - We welcome both the emphasis placed on connectivity between sustainability-related financial disclosures and the financial statement within both IFRS S1 and IFRS S2, and the ISSB's proposal to go a step further.

  - We agree with the FRC's response that the integration in reporting project should be undertaken as a joint project with the IASB. We also agree that this project should be pursued taking into account the IASB's ongoing project on Management Commentary, for the reasons expressed in the FRC's response.

5. New research and standard-setting projects

This section is relevant to Questions 4, 5 and 6.

The ISSB is developing its workplan against the backdrop, not only of the urgent climate challenge, but also threats to biodiversity and rising societal expectations of a just transition to a more sustainable economy. As investors navigate this landscape, they will need consistent, decision-useful, investor-material information on how companies across the global economy are managing the sustainability-related risks and opportunities they face.

The new research and standard setting projects on which the ISSB is seeking feedback will help to deliver the information that market participants demand. Consistent with the G7's call to prioritise nature and human capital, we support an agenda that advances, on a timely basis, of the development of thematic standards beyond climate change, leveraging existing advanced thinking and best practice. In the remainder of our response, we recommend that, in the short term, the ISSB launch a project to develop a thematic standard on nature, informed by the final recommendations of the TNFD. In the medium term, we encourage work towards the development of a thematic standard on social issues, covering human rights and human capital and drawing on the ISSB's existing intellectual property.

As the IFRS Foundation progresses its work, we encourage careful consideration of the interdependencies between climate, nature and society. It will be important to avoid siloed thinking in the future development of the standards. This is acknowledged in IFRS S1 (paragraph 2), which recognises the interdependencies between sustainability-related topics: "an entity's ability to generate cash flows over the short, medium and long term is inextricably linked to the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity's *value chain*. Together, the entity and the resources and relationships throughout its value chain form an interdependent system in which the entity operates". The ISSB's recent decision to develop educational materials covering nature and social aspects of IFRS S2 recognises such interdependencies.

We note that the IFRS Foundation already has mechanisms in place to consider the evolving nature of developments in stakeholder views, regulations, investor preferences and scientific knowledge on sustainability matters. For instance, as part of its mandate, the Sustainability Consultative Committee is tasked with identifying, informing and advising the ISSB on "significant interdependencies between sustainability matters".

Nature and biodiversity

We strongly encourage the ISSB to begin work towards a thematic standard for reporting on nature and biodiversity-related risks and opportunities, informed by the forthcoming final recommendations of the TNFD. The UK Government has been an early supporter of the TNFD, with the Green Finance Strategy seeing the TNFD framework as key to operationalising Target 15 of the GBF. The UK Government has encouraged the ISSB to incorporate the TNFD's comprehensive approach to nature in the development of any future standards in this area.

The RfI describes the project as 'biodiversity, ecosystems and ecosystems services'. We also recommend a more holistic approach that captures the full implications of nature-related disclosures, in line with the approach taken by the TNFD. We also note that the TNFD's accompanying risk management framework, the LEAP (Locate, Evaluate, Assess, Prepare) guidance, could be useful to that end.

We see three compelling reasons to accelerate progress towards a thematic nature standard: the science; the policy; and the finance:

- *The science.* The scientific community has been clear that climate and nature are interdependent, arguing for a nature-positive approach to pursuing economy-wide decarbonisation goals. Recent research from the Stockholm Resilience Centre underscores the urgency and scale of the biodiversity challenge, highlighting the risk of breaching core planetary boundaries. Other recent research by UK-based academics similarly warns of accelerated degradation of the world's natural environment, bringing the risk of the most extreme stress events closer than previously believed.

- *The policy.* Governments and policy makers globally have acknowledged the urgent need for action. The GBF sets targets to make business and finance part of the solution. Target 14 explicitly references that public and private financial flows should align with GBF goals. Target 15 calls on companies and financial institutions to disclose their risks, opportunities, dependencies and impacts on biodiversity. And Target 19 sets out a requirement to increase the mobilisation of all sources of finance to implement national biodiversity strategies and action plans (NBSAPs) worth at least $200bn per year by 2030. Investing in nature-based solutions is therefore likely to become a growing imperative for the private sector. Similarly, the recently agreed UN High Seas Treaty will complement the GBF goals and spark the need to mobilise investments to protect marine biodiversity and the world's oceans, which serve as the planet's largest carbon sinks. Information gaps are one barrier to scaling up nature-based solutions. The ISSB can play an instrumental role in helping to address this barrier.

- *The finance.* ISSB leadership in working towards a thematic IFRS Sustainability Disclosure Standard on nature can help capital markets participants respond to this challenge. Science and policy are aligned on the financial materiality of nature-related sustainability information. And a similar investor consensus to that which formed on climate change is crystallising in the biodiversity space. The Dasgupta Review highlights what markets might be ignoring, just as the Stern Review did on the economics of climate change in the 2000s: market prices of nature's goods and services often fail to reflect their social value, not least because they are provided for free. And the interdependences between climate and nature are increasingly realised.

Central banks and supervisors have similarly acknowledged that nature-related financial risk should be considered as part of their mandates. In the UK, the Bank of England is supporting research led by the Green Finance Institute to quantify the risks to UK firms arising from their exposure to nature degradation.

The TNFD framework, to be launched in September 2023, can help inform the design of a potential future IFRS Sustainability Disclosure Standard on nature and enable the ISSB to accelerate progress. The G7 Alliance on Nature Positive Economies similarly suggests that the TNFD Framework can be a suitable mechanism for delivering Target 15(a) of the GBF (which encourages large and transnational companies and financial institutions to regularly monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity). We would emphasise the following:

- *Alignment with TCFD.* The TNFD framework has been built on content that is already the intellectual property of the IFRS Foundation, and the backbone of IFRS S1 and IFRS S2. The TNFD framework and its additional materials have followed closely the approach, structure and language of the TCFD recommendations. The TNFD framework also leverages other existing initiatives, such as the CDSB Framework Application Guidance for Biodiversity-related Disclosures.

- *Extensive outreach, testing and engagement.* The TNFD materials have been subject to extensive market and stakeholder consultation over the last 18 months, including pilot testing. This broad-based industry input, including on best practice, could be leveraged to accelerate a potential research and standard-setting project on nature. This could considerably reduce the time and resources needed to reach the stage of an Exposure Draft. Furthermore, a clear signal from the ISSB that it is working towards a thematic standard on nature, informed by TNFD, might also encourage voluntary adoption of TNFD as a source of guidance in the interim.

We note that the TNFD framework has been developed to accommodate *both* investor and impact materiality approaches. If the ISSB is to be able to draw on the TNFD framework to inform a thematic standard on nature, it will be important that the TNFD's disclosure recommendations can be applied effectively with the ISSB's investor materiality lens. We understand that the TNFD and the IFRS Foundation are already engaging on this matter. We welcome this dialogue.

Social issues: human capital and human rights

In the medium term, we also encourage the ISSB to advance work on human capital, again responding to the shared view agreed at the G7. We also encourage the ISSB to begin research that will bring human rights within the suite of future thematic IFRS Sustainability Disclosure Standards.

Based on its outreach work, the ISSB suggested it could initially prioritise research on DEI (RfI paragraph A23) and workers' and communities' rights in the value chain (paragraph A34), respectively. We would encourage more holistic consideration of human capital and human rights issues, and also reiterate that the interdependencies between these issues. Work on these topics should therefore be developed in a way that recognises areas of overlap. Indeed, there would seem to be a strong case to develop both under a combined project on social issues, given the challenges in identifying clear boundaries between the two. We note this has been argued by Shift, the B Team and the World Benchmarking Alliance.

Human capital

Human capital is often said to be a company's largest asset. And poorly managed or neglected employees can create a material financial risk. The links between corporate performance and human capital practices has long been investigated, being developed in the 1960s by Nobel Laureate economists Theodore Schultz and Gary Becker. Investors had already acknowledged the importance of material information on this linkage, even before the COVID-19 crisis brought into sharp focus the importance of workers for any business (see Just Capital's The Current State of Human Capital Disclosure).

In April 2023, the G7 Labour and Employment Ministers' Declaration reinforced the case to invest in human capital, referencing recent economic and social developments. The G7 considers that an inclusive labour market that promotes quality jobs, including in global supply chains, will support economic resilience.

Some sub-topics of human capital are more difficult to define or measure and it is easy to descend into value judgements. The ISSB can play an important role in bringing objectivity to this topic and harmonising approaches. A common language and structure to communicate on these issues, and greater transparency in this area, will not only underpin the disclosure of decision-useful information to the market, but also help companies themselves understand their workforce and examine the links to performance, risks and opportunities.

The Workforce Disclosure Initiative found that although companies are making progress on disclosure, data are often incomplete, and there is little evidence behind the initiatives they are deploying. A recent survey by ShareAction found that less than 1 in 5 FTSE100 companies disclose their ethnicity pay gap, despite research suggesting that black and ethnic minority talent could boost the economy by £24 billion if properly unleashed in the workplace.

Currently, there is insufficient consistent and comparable information on how companies approach the full breadth of these issues, limiting the scope for investor scrutiny and challenge. But, as the RfI also indicates, the investment community is gradually demanding more, and better, information. The stewardship policies of many investors cover engagements on this area and report about their outcomes. And shareholder proposals filed on this topic have increased since 2018, from 62 to 101 in 2021 (with 22 and 39 passed respectively), according to a survey of Russell 3000 companies.

The ISSB could draw on its existing intellectual property to develop research in this area. We note, for instance, that human capital is one of SASB's five broad sustainability dimensions (covering three issue categories: employee health and safety; labour practices; and employee diversity, inclusion, and engagement) and one of the six capitals of the Integrated Reporting Framework. Relevant literature and thought leadership produced by the International Integrated Reporting Council (IIRC) can be leveraged.

SASB's Human Capital Management Research Project could also be a helpful starting point for research in this area. This project was well advanced pending an open consultation period on a revised preliminary Human Capital Framework as of December 2020. We recommend that the ISSB resume this project. As the SASB project noted, human capital is the second most prevalent thematic issue across the SASB standards, after climate change. Human capital disclosure topics appear in 50 of SASB's 77 industries (65%) and comprise 12% of the total number of disclosure topics across all SASB standards.

Some jurisdictions have also started to explore investor-focused mandatory disclosures. In 2022, we introduced new Listing Rules requiring issuers to make a statement in their annual financial report on a comply or explain basis setting out whether they have met specific targets for board diversity including that 40% of the board are women, that at least one of the senior board positions is held by a woman and that at least one board member is from a minority ethnic background. These rules came into effect for reporting on financial years on or after 1 April 2022. We also changed our disclosure and transparency rules to encourage issuers to consider diversity more broadly in the context of their reporting.

The EU Corporate Sustainability Reporting Directive requires, under Article 19b 2 (b), disclosure of social factors such as working conditions and equal opportunities. The European Commission recently adopted the accompanying European Sustainability Reporting Standards (ESRS). ESRS are among the sources of guidance in IFRS S1 (Appendix C), alongside the Global Reporting Initiative Standards. And we welcome the important work that is ongoing to demonstrate interoperability between ESRS and IFRS Sustainability Disclosure Standards.

In a similar vein, Japan's Financial Services Agency issued this year mandatory disclosure requirements on ESG-related disclosures, including on human capital and diversity issues. And in the US, a Working Group on Human Capital Accounting Disclosure issued a new rulemaking petition to the US Securities and Exchange Commission to enhance its current framework in relation to human capital disclosures.

Human rights

Similarly, we encourage further work towards a thematic standard on human rights in the medium term. The IFRS S1 Basis for Conclusions already provides a hook for further elaboration of expectations in this area. Paragraph BC42 explains that the concept of sustainability is connected to UN notions and pronouncements on sustainable development, including the Universal Declaration of Human Rights.

Indeed, international treaties and conventions often drive best corporate sustainability practices in this area. Companies often reference adherence to instruments such as the Ten Principles of the UN Global Compact (UNGC), the UN Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines on Multinational Enterprises. The UK Companies Act 2006 sets out human rights-related reporting in sections 414C(7), when describing the contents of the strategic report, and 414CB regarding the contents of the non-financial and sustainability information statement. These sections of the Companies Act also cover environmental and human capital issues. In addition, the Modern Slavery Act 2015 introduced requirements for companies in its scope to publish an annual statement about modern slavery risks.

It is common for investors to adopt policies that exclude assets or divest from portfolio companies where their activities are found to violate the UNGC or other relevant instruments on human rights issues. And investors themselves often also report against the UNGP on their own human rights practices – e.g., Sweden's pension fund AP2.

Thematic stewardship initiatives like Advance, launched by the Principles for Responsible Investment, have acknowledged that human rights issues are "systemic in nature" and key to "reducing risks to [our] investments". Accordingly, information on human rights practices can be expected to influence the business, risk and capital allocation decisions of the primary users of general-purpose financial reports.

In developing research in this area, the ISSB could again draw on its existing intellectual property. Human Rights & Community Relations is a General Issue Category within SASB Standards' social capital dimension. Under this category, SASB includes the "management of the relationship between businesses and the communities in which they operate, including, but not limited to, management of direct and indirect impacts on core human rights and the treatment of indigenous peoples."

Other existing sources that may help to accelerate progress in this area include the work of the Investor Alliance for Human Rights, which has produced practical guidance for institutional investors to apply the UNGP (the Investor Toolkit on Human Rights). The Toolkit acknowledges investors' concerns about the "operational, financial, legal, and reputational risks portfolio companies might face when they fail to manage human rights risks". The World Benchmarking Alliance has also developed Core UNGP Indicators as part of its Corporate Human Rights Benchmark, which rates selected companies' implementation of the UNGP.