

30 July 2024

The Working Group
Taskforce on Inequality and Social-related Financial Disclosures

By email only: info@tisfd.org

Dear Working Group Members

TISFD Proposed Scope and Mandate

Deloitte Touche Tohmatsu Limited (Deloitte) welcomes the opportunity to provide comments on the proposed scope and mandate of the Taskforce on Inequality and Social-related Financial Disclosures ('the Taskforce' or 'TISFD').

We welcome the formation of the Taskforce as a way of convening a wide group of social, including human capital, experts and creating greater cooperation in the critical field of reporting to investors and other stakeholders on inequality and social-related, including human capital, matters. As the Consultation notes, consideration of social-related matters is inextricably linked to addressing climate change and nature loss. We welcome the aim that the Taskforce's recommendations will support the provision of financial information to market participants to enable them to identify and reduce short, medium and long-term financial risks, strengthen financial stability and resilience, improve macro-economic outcomes and ultimately deliver better outcomes for people.

We recognise the significant global representation and expertise of the TISFD Working Group. We support the intention that the Taskforce should seek to strengthen the development of social and inequality-related financial disclosures, and for it to be available as a knowledge partner to standard-setters including the International Sustainability Standards Board and the Global Reporting Initiative, rather than itself seeking to be a standard-setter. This statement is welcome, as it should dispel fears that the Taskforce would create yet another disclosure framework, but rather will work to deliver focused inputs to the recognised sustainability-focused standard setters. We comment on this further below.

Approach to materiality

We welcome the acknowledgement that entities may need to apply different standards and frameworks that adopt different perspectives of materiality. We believe the Taskforce should factor into its approach that many sustainability impacts are directly relevant to the decisions of providers of financial capital. This is particularly relevant in the context of inequality and social-related matters. This thinking is in keeping with the articulation of 'nested and dynamic' materiality by the Group of Five sustainability

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standard-setters and frameworks¹, and is explicitly recognised in IFRS S1. Thus, we think that the Taskforce should explicitly explore how to apply an investor (or financial) materiality lens in order that preparers may be able to identify the impacts that lead to social-related risks and opportunities.

Alignment with International Standards of Conduct

We agree that the Taskforce's recommendations should build on and align with existing international standards of conduct (the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy), whilst also considering whether other frameworks or guidance would usefully underpin the Taskforce's approach. We agree that the Taskforce should seek to develop, as a first step, a clear evidence base for the pathways between impacts on people, inequalities and financially material risks, as a way of assessing the need for guidance on the identification, assessment and management of impacts and risks.

Interoperability with Existing Standards and Frameworks

We agree that the Taskforce should leverage and build upon the indicators and metrics in existing standards and frameworks and seek to align its recommendations with the overarching structure of the disclosure frameworks of the Taskforces on Climate-related and Nature-related Financial Disclosures (the TCFD and TNFD). We also note the importance of respecting the alignment with international standards of conduct that are the foundation of the Taskforce's work and need to reflect the particular ways in which impacts on social matters lead to financial risks.

Proposed Outputs

We recommend that the output be structured in a way that supports and accelerates the development of a global baseline of consistent and comparable sustainability information, based on the ISSB Standards. To this end, we think the Taskforce should develop content on risks and opportunities relating to inequality and social-related, including human capital matters as a recommendation to the ISSB to incorporate into its standard-setting work; and only publish guidance on broader inequality and social-related impacts that are not addressed in the ISSB's scope of work. This approach should help accelerate ISSB standard-setting in this critically important area in support of the ISSB's stated agenda priorities for the next two years. Such an approach would bring clarity to the market, creating a clear expectation that this aspect of the Taskforce's work should be aligned with the intent of the ISSB global baseline rather than creating a new standalone disclosure framework on inequality and social-related disclosures.

The Taskforce could formalise in a Framework recommendations and guidance on how to report on broader social impacts that are not to be covered by the ISSB standards in order to support preparers in their reporting on such matters and to stimulate further innovation in reporting.

Intended Outcomes and Impacts

We support the Taskforce's intended outcomes and impacts, including the focus on all components of the financial system.

¹ *Reporting on enterprise value Illustrated with a prototype climate-related financial disclosure standard: Progress towards a comprehensive corporate reporting system, from leading sustainability and integrated reporting organisations CDP, CDSB, GRI, IIRC and SASB (December 2020).*

Should you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7936 3000.

Yours sincerely

A handwritten signature in black ink, appearing to read 'V Poole', written over a light grey rectangular background.

Veronica Poole

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