

August 30, 2023

International Accounting Standards Board
Columbus Building
7 Westferry Circus
London E14 4HD
United Kingdom

Via electronic submission: commentletters@ifrs.org

Re: ISSB/RFI/2023/1: Consultation on Agenda Priorities

Dear Chair Faber and Members of the International Sustainability Standards Board (ISSB):

I write on behalf of the Council of Institutional Investors (CII), a nonprofit, nonpartisan association of U.S. public, corporate and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments with combined assets under management of approximately \$4 trillion. Our member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families, including public pension funds with more than 15 million participants. Our associate members include non-U.S. asset owners with about \$4 trillion in assets, and a range of asset managers with more than \$40 trillion in assets under management.¹ Below we share perspectives on select questions posed by the May 2023 Consultation on Agenda Priorities.²

Question 2 – Criteria for assessing sustainability reporting matters that could be added to the ISSB’s work plan

- (a) Do you think the ISSB has identified the appropriate criteria?**
- (b) Should the ISSB consider other criteria? If so what criteria and why?**

Answer

CII generally supports the ISSB’s stated criteria for assessing workplan priorities, which we note lists importance to investors as the top criterion. CII’s member-approved Statement on Company

¹ For more information about the Council of Institutional Investors (CII), including its board and members, please visit CII’s website at <http://www.cii.org>.

² IFRS Request for Information, Consultation on Agenda Priorities, (May 2023), https://www.ifrs.org/content/dam/ifrs/project/issb-consultation-on-agenda-priorities/issb-rfi-2023-1.pdf?utm_campaign=ISSB%20Standards%20Launch&utm_medium=email&_hsmi=257023101&_hsenc=p2ANqtz-8Gx5zD1gEmsTVJDIHupOyrleEj93DHMjE-adTJC-mUetJnywHZ3FugqmBAHqyTZqSGUXhc86_7e_2kqTv2MaxV9HtTfg&utm_content=257023101&utm_source=hs_email

Disclosure similarly gives preeminence to investor materiality.³ We believe the ISSB should only pursue projects with significant relevance to investors⁴, who increasingly seek comparable and reliable information to better understand how nonfinancial metrics can impact business and profitability.⁵ We encourage the ISSB to maintain its investor focus with special attention to its last stated criterion: the capacity to progress the project in a timely way.

Question 3 – New research and standard-setting projects that could be added to the ISSB’s work plan

- (a) Taking into account the ISSB’s limited capacity for new projects in its new two-year work plan, should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?
 - (i) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A or suggest another project.
 - (ii) If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority? You may select from the four proposed projects in Appendix A or suggest another project (or projects).

Answer

CII believes research and standard setting on human capital warrants the highest priority. Human capital is an important intangible asset and CII believes there is a pervasive need for more information about human capital management in financial reports. With clear definitions of reporting items, a well-developed framework could substantially improve consistency and comparability of human capital disclosures for the benefit of investors and the capital markets generally.⁶

³ See CII’s member-approved Statement on Company Disclosure lists four factors CII considers in evaluating proposals to expand company disclosure: materiality to investment and voting decisions; depth, consistency and reliability of empirical evidence supporting the connection to long-term shareowner value; anticipated benefit to investors, net of the cost of collection and reporting; and prospect of substantially improving transparency, comparability, reliability and accuracy. (March 10, 2020), https://www.cii.org/policies_other_issues#Company_disclosure

⁴ See Letter from Jeffrey P. Mahoney, General Counsel, Council of Institutional Investors to Vanessa A. Countryman, Secretary, Securities and Exchange Commission 6 (Oct. 17, 2019), https://www.cii.org/files/issues_and_advocacy/correspondence/2019/October%2017%202019%20SEC%20comment%20letter.pdf, (If the Board determines that a potential project is not of sufficient importance to investors the project should not be added to the work plan... We believe this approach could over time free up resources to be used for other Board work plan activities that are more likely to benefit investors.”)

⁵ See CII’s member-approved Statement on Corporate Disclosure of Sustainability Performance, (September 22, 2020), https://www.cii.org/policies_other_issues#sustainability_disclosure

⁶ See Letter from Jeffrey P. Mahoney, General Counsel, Council of Institutional Investors to Vanessa A. Countryman, Secretary, Securities and Exchange Commission 6 (Oct. 17, 2019), https://www.cii.org/files/issues_and_advocacy/correspondence/2019/October%2017%202019%20SEC%20comment%20letter.pdf (“Institutional and retail investors have a pronounced interest in clear and comparable information about how public companies approach [Human Capital Resources] HCR”).

CII supports enhancements to human capital disclosure in at least four key areas. We support disclosure of the total number of employees; the breakdown of the numbers of full-time, part-time, and contingent workers; and employee turnover rates.⁷ We also agree with the recommendation of the Human Capital Management Coalition that companies provide more information about labor costs by requiring disclosure of the total cost of a company's workforce. That amount, could, for example, be defined to include "salaries/wages, benefits such as health care, employer's contribution to Medicare and Social Security, value of equity-based compensation, commissions and bonuses, perquisites, overtime, severance payments, and retirement . . ."⁸ This generally could involve disaggregating labor costs from a company's selling, general and administrative expenses and cost of sales line items.⁹

A project delivering comparability on these four areas for companies of similar size and industry, paired with qualitative disclosures giving companies the opportunity to provide context, could substantially strengthen investors' ability to evaluate this pillar of company value.

Thank you for considering the views of the Council of Institutional Investors.

Sincerely,



Glenn Davis
Deputy Director

⁷ Ibid.

⁸ See Letter from The Human Capital Management Coalition to Hillary H. Salo, Technical Director, Chair, Emerging Issues Task Force, Financial Accounting Standards Board 5 (Sept. 22, 2021), <https://bit.ly/3CS2CqL>; see Letter from Aeisha Mastagni, Portfolio Manager & Mary Hartman Morris, Investment Officer, California State Teachers' Retirement System to Vanessa A. Countryman, Secretary, Securities and Exchange Commission 2 (Oct. 26, 2019), <https://www.sec.gov/comments/s7-11-19/s71119-6353231-195593.pdf> (describing total workforce costs to include: "Salaries, bonuses and pensions inclusive of all employees - guaranteed pay, variable pay, benefits and equity pay").

⁹ See Mary Morris, Co-Chair, Human Capital Management Coalition, Investment Officer, CalSTRS & Cambria Allen-Ratzlaff, Co-Chair, Human Capital Management Coalition, Corporate Governance Director, UAW Retiree Medical Benefits Trust, Human Capital Data, Fundamental Disclosures for Optimal Analysis and Decision Making, Prepared for FASB Agenda Consultation 15 (Feb. 26, 2021) (on file with CII) ("Data already included in SG&A or COGS"); see also Letter from John Streur, President and CEO, Calvert Research and Management to Chairman Gary Gensler, U.S. Securities and Exchange Commission 3 (Aug. 30, 2021), <https://www.sec.gov/comments/climate-disclosure/cii12-9190246-249462.pdf> ("Total workforce cost information links human capital management data directly to line items reported in a company's financial statements"); Dr Anthony Hesketh, Department of Organization, Work & Technology, Lancaster University Management School to Anne Sheehan, Chairman, Investor Advisory Committee, U.S. Securities and Exchange Commission 5 (Mar. 21, 2019), <https://www.sec.gov/comments/265-28/26528-5180428-183533.pdf> ("In the U.S. reporting context, human capital is a currently neglected factor of economic production requires a higher level of granularity afforded to it than currently offered by the cost of goods sold (COGS) or the general sales and administration (GS&A) on current income statements.").