Taskforce on Inequality and Social-related Financial Disclosures launched

International · 02/10/2024

On 23 September 2024, the Taskforce on Inequality and Social-related Financial Disclosures ("**TISFD**") was launched.

The TISFD, which has been launched to bring attention to the financial risks presented by inequality and other social-related issues to companies and financial institutions ("**FIs**"), has said that it will develop a global framework for companies and FIs to include more effective disclosures about impacts, dependencies, risks and opportunities related to social issues in their public reporting.

Yet another disclosure framework?

Standardised, measurable reporting on social issues has long been recognised as the most difficult aspect of wider ESG-related reporting – an issue which the EU's Corporate Sustainability Reporting Directive ("**CSRD**") is also seeking to address.

The TISFD hopes that the TISFD disclosure framework will be market-usable and aligned with international business conduct and reporting standards, such as the UN Guiding Principles on Business and Human Rights.

The TISFD recognises the ever-increasing numbers of sustainability reporting frameworks – both mandatory and voluntary – and is expected to be interoperable with existing standards. It is expected to sit alongside the Taskforce on Climate-related Financial Disclosures ("**TCFD**") and Taskforce on Nature-related Financial Disclosures ("**TNFD**"), with the four-pillar approach recognising that the risks, opportunities and impacts of climate, nature and social issues are not mutually exclusive and must be considered together to be effective.

Background

The TISFD's founding partners are a global coalition of companies, FIs, labour / civil society organisations and international organisations with a shared desire for companies and investors to integrate social and inequality issues into their decision-making.

The TISFD has been created with the ultimate aim of addressing global inequalities. Although there are clear altruistic motives for doing so, inequality and social justice are increasingly being seen as issues inextricably linked to economic performance.

The TISFD has stressed that the social challenges caused by global inequalities present significant risks to market actors, such as hampering productivity and innovation as a result of underinvestment in human capital, inhibiting demand and investment, and increasing financial instability as a consequence of financial sector vulnerabilities. The TISFD has also stressed that tackling inequalities and improving social outcomes presents opportunities for market actors, such as bolstering consumer demand by empowering people to participate in global markets, and enhancing the financial stability of households and businesses.

To mitigate these risks and take advantage of these opportunities, businesses require data and information on their practices and performance in addressing inequalities and on social-related impacts, dependencies, risks and opportunities. Businesses also require a consistent set of reporting expectations that prevent undue burden on companies from divergent approaches to social and inequality-related issues.

The TISFD aims to create a global disclosure framework that satisfies these requirements, in a similar manner to how such requirements have been satisfied by the TCFD and TNFD disclosure regimes in respect of climate and nature-related issues.

TISFD Scoping Paper

In its scoping paper, "People in Scope", the TISFD has said that it will produce the following outputs:

1. Global disclosure framework

The TISFD will create a standardised, global disclosure framework that will recommend disclosures for businesses and FIs regarding their inequality and social-related impacts, dependencies, risks and opportunities. The TISFD framework will align with the four-pillar structure of the TCFD and TNFD disclosure frameworks, as well as those used in the International Financial Reporting Standards ("**IFRS**") Sustainability Disclosure Standards.

The disclosure framework will cover different dimensions of inequalities, including horizontal inequalities (such as gender and race), vertical inequalities (such as wages and life expectancy) and location-based inequalities.

The disclosure framework will also be compatible with both a financial materiality approach, which concerns information that investors and lenders may require, and an impact materiality approach, which concerns information relation to stakeholders who are interested in assessing potential impacts.

2. Implementation guidance and recommendations

Similarly to the TCFD and the TNFD, the TISFD will publish guidance and recommendations for businesses and FIs on the implementation of the disclosure framework, as well as on the use of indicators / metrics and the availability / use of data sources.

3. Educational resources

The TISFD also intends to produce educational and capacity-building resources that are tailored to the needs of various stakeholders to help them contribute to and use the disclosure framework.

4. Conceptual foundations

Additionally, the TISFD will produce conceptual foundations that aim to clarify the relationship between the activities and interests of business and finance, which will include an overview of commonly used typologies of inequality and social-related outcomes and how these interrelate.

5. Research on social-related financial risks

Finally, the TISFD has said that it will publish a body of evidence that documents research on social-related financial risks and system-level risks of inequality for businesses and FIs, including evidence of the relationship between businesses' impacts and their cumulative effects and the exacerbation of inequalities.

Next steps

The TISFD aims to begin developing a "beta version" of the disclosure framework in late 2025 and to release the first public version in late 2026. The publication of the disclosure framework will be accompanied by implementation guidance and recommendations.

The TISFD will then work with standard-setters across different jurisdictions to explore how its recommendations could inform and strengthen existing and forthcoming standards and regulations.

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