
ISSB[®] meeting

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Project	Human capital
Topic	Cover note
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This paper has been prepared for discussion at a public meeting of the International Sustainability Standards Board (ISSB). This paper does not represent the views of the ISSB or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB *Update*.

Purpose of this meeting

1. The materials prepared for this meeting summarise the preliminary findings of some of the staff's initial research on disclosures about risks and opportunities associated with human capital. The meeting is an opportunity for the staff to share those early findings and for the International Sustainability Standards Board (ISSB) to provide input on the remaining work. The staff will not ask the ISSB to make any decisions in these sessions.
2. This cover note provides:
 - (a) an update on the status of the human capital research project;
 - (b) an overview of the relevant agenda papers that will be discussed at the December meeting of the ISSB; and
 - (c) a brief description of the next steps in the process.

Status of the project

3. At its April 2024 meeting, the ISSB decided to add the human capital research project to its work plan, based on the deliberation of feedback to its Request for Information

Consultation on Agenda Priorities, which was published in May 2023 with a comment period of 120 days.

4. In July 2024, the staff provided the ISSB with an overview of the design and approach for the human capital research project.¹ The project is intended to collect evidence on two broad areas of consideration: first, on the nature and extent of the market need for more useful disclosure of information about human capital-related risks and opportunities that could reasonably be expected to affect an entity's prospects, and, second, on potential ways to address that need. The staff developed its design and approach with a particular focus on four anchoring principles to help ensure the research:

- (a) is oriented toward providing information that is useful to investors in their decisions that relate to providing resources to an entity;
- (b) gives due consideration to the literature and practice already established in the market;
- (c) builds on the foundation established by IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*; and
- (d) leverages the ISSB's core activities and its commitment to proportionality.

5. The staff also set out a plan to execute the research using a phased approach that would enable it to first build a foundation of knowledge and understanding before moving on to synthesise findings and analyse implications regarding the necessity and feasibility of potential standard-setting. The staff's research thus far has been focused on the initial, foundation-building phase, with work taking place in four, clearly defined research areas guided by specific research questions, which are:

- (a) **Evidence of investor interest:** 'What are the information needs of investors and how is current disclosure practice meeting or failing to meet these needs?';

¹ [Agenda Paper 2B Biodiversity, ecosystems and ecosystem services and human capital research projects — Research design and approach](#) (July 2024).

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- (b) **Evidence of effects on an entity’s prospects:** ‘Whether, how and to what extent do human capital-related risks and opportunities affect an entity’s cash flows, its access to finance or its cost of capital over the short, medium or long term?’;
 - (c) **Existing standards and frameworks:** ‘What is the current landscape of standards and frameworks for human capital-related reporting and how does it compare to the requirements in IFRS S1 and the SASB Standards?’; and
 - (d) **Current state of disclosure:** ‘What is the current state of company disclosure about human capital-related risks and opportunities?’
6. At this meeting, for some of those research areas, the staff will present its preliminary findings, as summarised in the materials listed in paragraph 7. These preliminary findings build on the sessions held during previous ISSB meetings. In September 2024, the vice-chair of the ISSB Investor Advisory Group presented an investor view on the ISSB’s work plan, including the human capital project, which informed the research on investor interest. At the same meeting, the staff presented an overview of the content in the SASB Standards that is applicable to the risks and opportunities associated with human capital, which has informed the research on existing standards and frameworks. In October 2024, the ISSB discussed feedback from a survey on jurisdictional requirements related to human capital and how that feedback might inform the research, including assessments of existing standards and the current state of disclosure. Finally, in November 2024, the staff presented to the ISSB a preliminary assessment of existing human capital-related disclosure standards and frameworks.

Overview of meeting materials

7. The materials for this meeting summarise the staff’s preliminary findings in two of the four research areas:
- (a) evidence of investor interest

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- (i) Agenda Paper 4A *Preliminary assessment of evidence of investor interest* outlines the approach taken and progress made on building baseline knowledge and understanding of the nature of investor interest in human capital-related risks and opportunities, investors' information needs, use of information in investment decisions and information challenges. The paper includes a summary of initial findings from investor outreach to gather evidence on investor interest.
 - (b) evidence of effects on an entity's prospects
 - (i) Agenda Paper 4B *Preliminary assessment of evidence of effects on an entity's prospects* outlines the approach taken and progress made on identifying and analysing available evidence regarding the effects of human capital-related risks and opportunities on an entity's prospects. The paper explores a range of negative and positive effects on entity prospects in relation to key topics and industries based on extensive investor outreach and initial desk research and provides illustrative case studies.
8. The staff emphasises that these findings are preliminary and are likely to evolve subject to additional research, stakeholder engagement and feedback from the ISSB. With this in mind, the staff believes it is premature to make meaningful connections between findings in the various research areas.

Next steps

9. Based on feedback from the ISSB, the staff expects to continue presenting research findings in the coming months, with an aim of transitioning to the next phase of work—synthesising findings and analysing implications for standard-setting—in the first half of 2025.