
ISSB Meeting

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Project(s)	Biodiversity, Ecosystems and Ecosystem Services (BEES) and Human Capital
Topic	Research design and approach—next phase
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Purpose

1. The purpose of this paper is to provide the International Sustainability Standards Board (ISSB) with an overview of the design and approach for the next phase of the research projects on risks and opportunities associated with biodiversity, ecosystems and ecosystem services (BEES) and human capital.
2. The staff will not ask the ISSB to make any decisions in this session.

Structure of the paper

3. The paper is structured as follows:
 - (a) background (paragraph 4);
 - (b) objectives of the next phase of research (paragraphs 5–8);
 - (c) anchoring principles (paragraphs 9–11);
 - (d) approach to the next phase of research (paragraphs 12–18);

- (e) next steps (paragraph 19); and
- (f) key activities in the next phase of research (Appendix A).

Background

4. The history, current status and key milestones of each project are described in Agenda Papers 3 and 4 *Summary of phase 1 findings* for this meeting.

Objectives of the next phase of research

5. The IFRS Foundation *Due Process Handbook* establishes that the purpose of an ISSB research project is to analyse possible financial reporting problems by:
 - (a) collecting evidence on the nature and extent of the perceived shortcoming; and
 - (b) assessing potential ways to improve financial reporting or to remedy a deficiency.
6. As the *Handbook* points out, ‘This analysis will help [the ISSB] decide whether it should undertake a standard-setting project, either to develop a new Standard or to amend a Standard.’¹ The staff has designed its approach to the BEES and Human Capital research projects to meet this objective—namely, facilitating decisions by the ISSB about whether and how to undertake standard-setting.
7. Thus far, the staff’s research and analysis has focused on a clearly defined set of areas to build foundational knowledge in a structured manner and establish a common understanding among the ISSB and its stakeholders. Those research areas, as described in Agenda Papers 3 and 4, are:
 - (a) evidence of investor interest;

¹ See Paragraph 4.9. In March 2022, the Trustees of the IFRS Foundation decided that the ISSB will abide by the *Due Process Handbook*. In December 2024, the Trustees, through the Due Process Oversight Committee (DPOC), published the Exposure Draft *Proposed Amendments to the IFRS Foundation Due Process Handbook (Handbook)* to reflect the creation of the ISSB in 2021. The amendments proposed in the Exposure Draft would ensure that the ISSB and the International Accounting Standards Board (IASB) continue to follow the same rigorous, inclusive and transparent standard-setting process. The DPOC will consider all written comments received before the comment period closed on 28 March 2025.

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- (b) evidence of effects on an entity's prospects;
 - (c) assessment of other disclosure standards and frameworks; and
 - (d) assessment of the current state of disclosure.
8. The first two research areas (in paragraph 7(a)–(b)) were primarily focused on developing the ISSB's understanding of the *necessity* of potential standard-setting. The last two research areas (in paragraph 7(c)–(d)) were primarily focused on developing the ISSB's understanding of the *feasibility* of potential standard-setting. In the next phase of work, the staff plans to synthesise these findings to provide the ISSB with a more integrated understanding of both considerations. This approach is intended to enable the ISSB to assess whether standard-setting is likely to result in improvements to sustainability-related financial disclosure that will outweigh the costs. (See paragraphs 12–18.)

Anchoring principles

9. The upcoming research will follow the same set of 'anchoring principles' used in the previous phase, which were designed to help the ISSB maintain focus and make timely progress. We will continue to observe those principles, which were set out in [Agenda Paper 2B Research design and approach](#) (July 2024), to help ensure the next phase of research:
- (a) is oriented towards providing information that is useful to investors in their decisions that relate to providing resources to an entity;
 - (b) gives due consideration to the disclosure standards, frameworks 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

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- (d) considers the ISSB’s core activities of interoperability², connectivity and stakeholder engagement, as well as its commitment to proportionality.
10. Consideration of these principles will enable us to synthesise findings from the research areas described in paragraph 7 to advance the ISSB’s understanding of the necessity and feasibility of standard-setting. For example, in the previous phase of work, the research identified:
- (a) *BEES- and human capital-related topics of interest to investors*—this research was anchored in the principle of ‘decision-useful information for investors,’ as described in paragraph 9(a), and in stakeholder engagement, following the ‘core activities’ principle described in 9(d); and
 - (b) *disclosure elements in other standards and frameworks that are related to key BEES- and human capital-related topics*—this research was anchored in the principles of ‘established standards, frameworks and practice’ described in paragraph 9(b) and ‘building on IFRS S1’ described in paragraph 9(c).
11. In the next phase of work, the research will seek to combine these and other findings from the four research areas. For example, combining the findings described in paragraph 10(a) with those described in paragraph 10(b) could help the ISSB establish which (if any) of the identified disclosure elements from other standards and frameworks could be used or modified to provide information that is likely to be decision-useful to an investor’s assessment of an entity’s prospects (following all four of the anchoring principles). Appendix A to this paper includes a summary of some of the key activities that we expect to undertake in the next phase of research for the BEES and Human Capital projects.

² Agenda Paper 2A *Embedding interoperability in the ISSB’s ongoing activities* (July 2024)

Approach to the next phase of research

12. As described in paragraph 8, the next phase of research is intended to enable the ISSB to assess whether standard-setting is likely to result in improvements to BEES and human capital-related disclosure that will outweigh the costs. To achieve this aim, the research will synthesise findings from the previous phase to assess potential standard-setting along two dimensions:
- (a) *necessity*—evaluating whether there is a clear need for improved disclosure to investors regarding BEES or human-capital related risks and opportunities; and
 - (b) *feasibility*—evaluating whether there is likely to be a practical and efficient approach to developing disclosure requirements regarding those risks and opportunities.
13. Developing an understanding of the necessity and feasibility of standard-setting will enable the ISSB to make a more informed assessment of the likely benefits and costs of potential ways of addressing an identified market need. This approach is illustrated in Figure 1.

Figure 1. Illustrative depiction of the approach to next phase of research

Necessity	High	Further research and stakeholder engagement	Context dependent	Necessary and feasible
	Mixed	Further research and stakeholder engagement	Context dependent	Context dependent
	Low	Unnecessary	Unnecessary	Unnecessary
		Low	Mixed	High
		Feasibility		

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14. As illustrated by Figure 1, the multi-dimensional analysis of our research findings may result in a variety of different outcomes, which will in turn inform the staff's recommendations to the ISSB. Among those outcomes and recommendations:
- (a) *necessary and feasible*—when there is a clear need for improved disclosure and a feasible standard-setting solution has been clearly identified, the staff is likely to recommend addressing the need through standard-setting or guidance, as appropriate;
 - (b) *context dependent*—when the necessity or feasibility of standard-setting appears to be context-dependent (mixed)—for example, when benefits and costs are likely to vary by sector or industry, topic or subtopic, geography or jurisdiction—the staff may consider a variety of options including:
 - (i) industry-based standard-setting or guidance, including a consideration of the ISSB's project on Enhancing the SASB Standards; or
 - (ii) engagement with jurisdictional standard-setters to facilitate the development of jurisdictional 'building blocks' that add to the ISSB's global baseline as appropriate and/or discussions with GRI³ in relation to interoperability;
 - (c) *further research and stakeholder engagement*—when there is a clear market need (in some or all contexts), but preparing decision-useful information is likely to be difficult or where there is a lack of established measurement approaches, the staff is likely to recommend further research and stakeholder engagement to explore, for example, whether market developments—such as emerging technological innovations or measurement methodologies—could reduce the costs of preparing such disclosure in the near future and/or to ensure that the benefits of the information provided warrant the costs of providing that information; and

³ IFRS - IFRS Foundation and GRI to align capital market and multi-stakeholder standards to create an interconnected approach for sustainability disclosures.

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- (d) *unnecessary*—when there is no clear market need from primary users⁴ for the information, the staff is likely to recommend no action by the ISSB, regardless of its assessment of the feasibility of standard-setting.
15. The information in Figure 1 is intended only for illustrative purposes, to depict a general framework of broad considerations that will factor into the staff’s analysis during the next phase of research. In carrying out the research, the staff will not use this framework mechanistically to determine outcomes or recommendations; rather, we will apply judgement in considering the particular circumstances surrounding a given finding or combination of findings.
16. BEES and human capital are each associated with a broad range of subtopics, which can manifest as a variety of risks and opportunities within an array of different industry or jurisdictional contexts. Standard-setting is unlikely to be equally necessary and equally feasible for each of these different circumstances (or combinations of circumstances). In such a case, the staff may consider recommending targeted work—including potential standard-setting—on some aspects of BEES or human capital while continuing research on others.
17. At the end of this phase of work, we anticipate making one or more recommendations to the ISSB regarding whether and how the ISSB should undertake:
- (a) a project (or projects) to develop a proposal for one or more new IFRS Sustainability Disclosure Standards, which could be thematic, industry-based or some combination of those approaches;
 - (b) a project to amend one or more existing Standard(s) and/or guidance, including SASB Standards;
 - (c) work to develop new guidance and/or educational materials;
 - (d) a mix of these activities; or

⁴ Appendix A Defined terms of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* defines primary users as existing and potential investors, lenders and other creditors.

(e) no action.

18. Finally, as explained in the *Due Process Handbook*, ‘the primary objective of a project proposal is to help the [ISSB] to manage its resources effectively and to prioritise its standard-setting work.’⁵ Should the staff propose one or more standard-setting projects, we will seek to ensure the ISSB considers its own capacity, along with that of its staff and its stakeholders, to make timely progress on the work.

Next steps

19. The staff intends to maintain focus in executing the next phase of research and to move at pace as a result. We expect to share research findings—whether preliminary or final—on a periodic basis in the coming months. For a summary of the key activities associated with each project, see Appendix A.

Questions for the ISSB

1. Do members of the ISSB have any questions about the objectives of the next phase of research?
2. Do members of the ISSB have any observations on the overall approach to the next phase of research?
3. Do members of the ISSB have any comments about the staff’s proposed activities for the next phase or research, or about any other activities that were not proposed but that would help achieve the research objectives?

⁵ Paragraph 5.2.

Appendix A: Key activities in the next phase of research

- A1. Based on the research findings thus far, as summarised in Agenda Papers 3 and 4 *Summary of phase 1 findings*, as well as on feedback provided by ISSB members in previous meetings, the staff anticipates the activities in paragraph A3-A4 (for BEES) and paragraph A5 (for Human Capital), along with the core activities listed in paragraph A6, to be likely components of its next phase of work.
- A2. However, as the research progresses and the ISSB and its staff continue to deepen their understanding of market practices and implications, the overall design and approach to the next phase—as well as the particular activities involved—may need to evolve.

Biodiversity, Ecosystems and Ecosystem Services (BEES)

- A3. In the next phase of research on risks and opportunities associated with BEES, we will seek:
- (a) to develop an organising construct for understanding the various concepts associated with BEES-related risks and opportunities, including the relationships among those concepts. This may include various categories of macroeconomic drivers, impacts and dependencies, risks and opportunities, entity-level activities or objectives, effects on an entity's prospects and ways in which these manifest in financial effects, including the various pathways that may connect these concepts. This work may also involve developing a glossary of defined terms, as appropriate.
 - (b) to generate new insights by synthesising findings from the research areas explored in the prior phase of work. This effort may involve, for example:
 - (i) exploring the differences between the information investors say they need and the information that entities currently disclose, enabling us to more clearly define any gaps that may exist; and
 - (ii) comparing areas of investor interest with evidence of effects on an entity's prospects, with the aim of identifying topics and disclosures

that could reasonably be expected to influence an investor's decisions relating to providing resources to an entity.

- (c) to prioritise BEES-related topics for the ISSB's consideration based on A3(a)-(b);
- (d) to identify which BEES-related risks and opportunities are:
 - (i) universally relevant with consistent information needs, therefore possibly warranting cross-industry requirements;
 - (ii) universally (or nearly universally) relevant with differentiated information needs, therefore possibly warranting a mix of cross-industry and industry-based requirements;
 - (iii) relevant for a subset of entities—for example, those participating in a particular industry or engaged in a particular activity, therefore possibly warranting industry-specific requirements; or
 - (iv) relevant only for specific jurisdictions, therefore possibly outside the scope of the global baseline.

A4. As noted in paragraph 16, the staff may consider recommending targeted work—including potential standard-setting—on some aspects of BEES while continuing research on others. To support this work, further activities commenced in the next phase of the BEES research project or continued as part of any proposed standard-setting might include:

- (a) coordinating with the ISSB's project on Enhancing the SASB Standards, for example by:
 - (i) analysing BEES-relevant stakeholder feedback on the exposure drafts of proposed amendments to the priority SASB Standards;
 - (ii) leveraging findings from the work described in A3(a) and (d) to inform the SASB Standards enhancements work (as a continuation of the current interaction between these projects); or

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- (iii) considering which aspects of the SASB Standards could be used in potential standard-setting on BEES.
 - (b) to review, prioritise and address some of the next steps identified in staff papers and in ISSB member feedback during the previous phase of research, for example, further understanding the drivers of current disclosure practice (investor needs, regulatory compliance or other); and
 - (c) to further explore building upon the Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations with a focus on:
 - (i) the concept of materiality set out in IFRS S1 and disclosures that are oriented towards providing information that is useful to investors in making decisions relating to providing resources to an entity;
 - (ii) further targeted engagement with investors to assess and understand how those needs are met by the TNFD Recommendations;
 - (iii) monitoring the adoption of the TNFD Recommendations to assess information disclosed and costs to preparers and investors;
 - (iv) considering the TNFD's ongoing work on evidence of financial effects in conjunction with Oxford University; and
 - (v) considering the TNFD's ongoing work on nature transition plans given the close relationship with climate transition plans.

Human Capital

- A5. In the next phase of research on risks and opportunities associated with human capital, we will seek:
- (a) to develop an organising construct for understanding the various concepts associated with human capital-related risks and opportunities, including the relationships among those concepts. This may include various categories of macroeconomic drivers, impacts and dependencies, risks and opportunities,

entity-level activities or objectives, effects on an entity's prospects and ways in which these manifest in financial effects, including the various pathways that may connect these concepts. This work may also involve developing a glossary of defined terms, as appropriate.

- (b) to generate new insights by synthesising findings from the research areas explored in the prior phase of work. This effort may involve, for example:
 - (i) exploring the differences between the information investors say they need and the information that entities currently disclose, enabling us to more clearly define any gaps that may exist;
 - (ii) comparing areas of investor interest with evidence of effects on an entity's prospects, with the aim of prioritising topics and disclosures that could reasonably be expected to influence an investor's decisions relating to providing resources to an entity; and
 - (iii) undertaking further targeted engagement with investors to assess which of their information needs may be met by building on other standards and frameworks;
- (c) to identify which human capital-related risks and opportunities are:
 - (i) universally relevant with consistent information needs, therefore possibly warranting cross-industry requirements;
 - (ii) universally (or nearly universally) relevant with differentiated information needs, therefore possibly warranting a mix of cross-industry and industry-based requirements; or
 - (iii) relevant for a subset of entities—for example, those participating in a particular industry or engaged in a particular activity—and therefore possibly warranting industry-specific requirements;
 - (iv) relevant only for specific jurisdictions, therefore possibly outside the scope of the global baseline.

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- (d) to coordinate with the ISSB's project on Enhancing the SASB Standards, for example by:
 - (i) analysing human capital-relevant stakeholder feedback on the exposure draft of proposed amendments to the priority SASB Standards;
 - (ii) leveraging findings from the work described in items (a) and (c) to inform the SASB Standards enhancements work (as a continuation of the current interaction between these projects); and
 - (iii) considering which aspects of the SASB Standards could be used in potential standard-setting on human capital.
 - (e) to review, prioritise and address some of the next steps identified in staff papers and in ISSB member feedback during the previous phase of research.

Core activities

- A6. The ISSB's core activities will play an important role in carrying out each of the activities listed in paragraphs A3–A5. For example, we will:
- (a) consider opportunities to enable holistic, comprehensive and coherent general purpose financial reports through connectivity with the International Accounting Standards Board (IASB), including through its project on Intangible Assets;
 - (b) consider opportunities to pursue interoperability with the GRI Standards and the European Sustainability Reporting Standards (ESRS);
 - (c) seek to engage with consultative bodies or with members of those bodies, including the Sustainability Reference Group (SRG), the Sustainability Standards Advisory Forum (SSAF), the Sustainability Consultative Committee (SCC) and the ISSB Investor Advisory Group (IIAG), as appropriate;
 - (d) seek to further develop our understanding of the range of capabilities and preparedness of reporting companies and investors around the world, including

in emerging markets and developing economies, with the aim of ensuring a proportional approach to future work.