
ISSB Meeting

Date	February 2025
Project	Research 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

1. Agenda papers 4A, 4B and 4C prepared for this meeting summarise the findings of some of the staff's research on investor interest in human capital-related risks and opportunities and the effects of those risks and opportunities on an entity's cash flows, its access to finance or cost of capital over the short, medium or long term (its 'prospects'). The meeting is an opportunity for the staff to share those findings and for the International Sustainability Standards Board (ISSB) to provide input on areas of focus for continued research. The staff will not ask the ISSB to make any decisions in the session.
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 February 2025 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, 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 its 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:

¹ [AP2B Biodiversity, Ecosystems and Ecosystem Services and Human Capital research projects – Research design and approach](#)

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- (a) **Evidence of investor interest:** ‘What are the human capital information needs of investors and how is current disclosure practice meeting or failing to meet these needs?’;
 - (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, the staff will present its findings in two of these research areas — evidence of investor interest and evidence of effects on an entity’s prospects. Those findings are built on sessions held during previous ISSB meetings, including sessions on preliminary findings on evidence of investor interest and evidence of effects on an entity’s prospects, that are summarised in Appendix A.

Overview of the papers for this meeting

7. The staff has prepared three agenda papers for this meeting. The first two papers (4A and 4B), focused on evidence of investor interest in human capital information, are intended to complement each other and to be read in conjunction. The papers prepared for this meeting are:
- (a) Agenda Paper 4A *Approach to research on evidence of investor interest in human capital-related risks and opportunities*, which outlines the approach taken to conducting research on evidence of investor interest in human capital-related risks and opportunities. It provides an overview of the steps taken as part of the research, the composition of engagements and the literature

analysed and the analytical approaches employed. It also provides an overview of the topical groupings used within the research.

- (b) Agenda Paper 4B *Analysis of evidence of investor interest in human capital-related information*, which presents the results of engagements with investors and other stakeholders in the investment value chain, in combination with evidence obtained through a literature review. It sets out findings in relation to the level and drivers of investor interest in human capital-related risks and opportunities; the type and sources of human capital-information investors are interested in; how investors use such information in their investment decision-making processes; and the information challenges, barriers or gaps faced by investors.
- (c) Agenda Paper 4C *Evidence of effects on an entity's prospects*, which summarises key findings from stakeholder engagement, evidence obtained through a literature review and previous ISSB research to provide a holistic understanding of whether, how and to what extent human capital-related risks and opportunity affect an entity's prospects. It presents an analysis of workforce dependencies and impacts and related risks and opportunities with the strongest evidence of effects on entity prospects, accompanied by relevant industry considerations.

Next steps

8. In the coming months, the staff expect to present findings for the remaining areas of the initial, foundation-building phase of the human capital research – an assessment of current human capital-related corporate disclosure practices and the landscape of existing standards and frameworks. Based on feedback from the ISSB, the staff will aim to transition to the next phase of work – synthesising findings and analysing implications for standard-setting – during the first half of 2025.

Appendix A: Summary of previous ISSB meetings regarding human capital-related research

Date	Meeting
April 2024	<p>The ISSB added the human capital research project to its work plan.</p> <p>AP2 Projects to add to the work plan</p>
July 2024	<p>Staff provided the ISSB with an overview of the design and approach for the human capital research project.</p> <p>AP2B Biodiversity, Ecosystems and Ecosystem Services and Human Capital research projects – Research design and approach</p>
September 2024	<p>The vice-chair of the ISSB Investor Advisory Group presented an investor view on the ISSB’s work plan, including the human capital project.</p> <p>ISSB meeting video</p> <p>Staff presented an overview of the content in the SASB Standards that is applicable to risks and opportunities associated with human capital. AP3A and AP4A BEES and Human Capital-related risks and opportunities in the SASB Standards</p>
October 2024	<p>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.</p> <p>AP3 and AP4 Overview—Jurisdictional survey on Biodiversity, Ecosystems and Ecosystem Services and Human Capital</p>
November 2024	<p>The staff presented some of its preliminary findings on the research area on existing standards and frameworks.</p> <p>AP4 Cover note</p> <p>AP4A Preliminary assessment of existing disclosure standards and frameworks</p>

Date	Meeting
December 2024	<p>The staff presented some of its preliminary findings in two of the research areas – evidence of investor interest and evidence of effects on an entity’s prospects– and sought ISSB feedback on the remaining research.</p> <p><u>AP4 Cover note</u></p> <p><u>AP4A Preliminary assessment of evidence of investor interest</u></p> <p><u>AP4B Preliminary assessment of evidence of effects on an entity’s prospects</u></p>
January 2025	<p>The staff presented an overview of how information about human capital-related matters might be presented or disclosed in financial statements when applying IFRS Accounting Standards.</p> <p><u>AP3A and AP4 IFRS Accounting Standards—Presentation or disclosure on BEES- and Human Capital-related matters</u></p>