
ISSB meeting

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Project	Human Capital
Topic	Staff's approach to understanding and organising human capital concepts in the ISSB's research
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Purpose of the paper

1. This paper provides an overview of the staff's approach to developing an organising construct for research on human capital-related risks and opportunities ('organising construct'). It outlines the objectives of an organising construct and the rationale for carrying out this work. It also presents the approach for developing the construct and the proposed outputs of the research.

Structure of the paper

2. The paper is structured as follows:
 - (a) Rationale for developing an organising construct
 - (b) Approach to developing an organising construct
 - (i) Scope and focus of the research
 - (ii) Methodology being used to develop the organising construct
 - (iii) Proposed outputs of the research

Rationale for developing an organising construct

3. The staff has found that although a variety of human capital-related disclosure standards and frameworks have emerged globally and in various jurisdictions, there is a need to standardise and organise key concepts to provide a common framework for human capital-related financial disclosures. An important element of such an organising construct, particularly for the work of the ISSB, is the consistent categorisation of human capital-related risks and opportunities (see paragraph 9 for more detail on the proposed components of the organising construct).
4. Organising constructs exist for other dimensions of sustainability. One example of this, in relation to climate, is the distinction between physical and transition risk, and the subcategories of risk within each, that is embedded in IFRS S2 *Climate-related Disclosures*. This structure helps articulate the nature of and relationships between key concepts while providing a lens through which to understand and organise climate-related financial disclosures.
5. However, there currently is no existing, widely accepted framework or approach for understanding and organising human capital-related risks and opportunities, and related concepts.¹ Several frameworks, including disclosure standards and frameworks, national and international legal instruments, and normative standards, consider some aspects of this. However, none of these consider human capital-related concepts in a way that is fully reflective of the ISSB's work and remit. For example, some approaches focus on specific types of concepts, such as impacts, or on particular human capital-related topics, such as working conditions. Additionally, most existing approaches have focused only on providing a framework for structuring a body of work (for example, through topical organisation of a list of disclosure elements). These do not articulate the nature of and relationships between human capital-related concepts.

¹ This can include various categories of economic drivers, impacts and dependencies, risks and opportunities, entity-level activities or objectives, effects on entities' prospects and ways in which these manifest in financial effects, including the various pathways that may connect these concepts. See [AP3A and 4A Research design and approach – next phase](#), April 2025.

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6. As a result, the landscape in relation to human capital-related risks and opportunities is comprised of a patchwork of approaches. These have different, and often conflicting, language, audiences and objectives, which both overlap and diverge. Of the approaches that do exist, none clearly aligns with the scope and objectives of the ISSB.
 7. This lack of a shared framework poses several challenges for the ISSB's Human Capital research project and related activities.
 - (a) Inconsistent understandings of human capital-related terms and concepts make discussing, comparing and synthesising research findings challenging.
 - (b) The ambiguity of the scope of different aspects of human capital, and of the boundaries between them, mean it is difficult to organise information and delineate between different concepts and topics.
 - (c) A lack of clarity on the relationships between human capital-related concepts and risks, opportunities and effects on entities' prospects make it harder to determine the aspects of human capital that may be relevant for investment decision making. As a result, setting decision-useful sustainability disclosure standards is challenging.
 8. There is therefore a need to determine an appropriate way to articulate and organise human capital-related risks and opportunities, as well as related concepts, that reflects and enables the ISSB's objectives and focus on decision-useful information for investors. Doing so would provide practical benefits to the ISSB in several ways.
 - (a) *Facilitating communication on human capital-related risks and opportunities* –human capital is a complex and dynamic area that can be challenging to organise to ensure the information available to investors is decision-useful. An organising construct can provide a shared language and enable mutual understanding for both the ISSB and its stakeholders to discuss human capital-related matters. This was a theme that emerged several times in the initial phase of research. Investors articulated a strong demand for more clarity and consistency around language and terminology in relation to human capital-

related risks and opportunities.² The research on other standards and frameworks and the current state of disclosure both also highlighted the linguistic and conceptual complexities and inconsistencies of human capital-related disclosures.³

- (b) *Enhancing the Human Capital research project*—an organising construct would also support the staff’s research activities. In the first phase of research, staff applied a shared topical framework across research areas. This framework allows for valuable comparisons, but an organising construct would give staff a more sophisticated shared approach through which to synthesise findings, a key activity in this phase of research. For example, it would provide the shared language and consistent framework through which staff can identify where evidence of investor interest and evidence of effects on an entity’s prospects overlap in relation to particular types of risk, rather than just in relation to human capital-related topics (which may relate to several different dimensions of risk). The greater level of detail facilitated by the organising construct will enable staff to provide more nuanced insights into the necessity and feasibility of standard setting and, ultimately, provide more informed recommendations to the board.
- (c) *Supporting the ISSB’s standard-setting decisions and activities*—the phase one research findings have shown that both investor demand and maturity in reporting varies for different aspects of human capital. It is therefore likely the ISSB may need to consider using a range of different approaches, over different time frames, to address different dimensions of human capital-related risks and opportunities. An organising construct would provide a framework from which aspects of human capital-related risks and opportunities can be prioritised and different approaches can be taken for different elements without threatening the overall and long-term cohesiveness and consistency of the broader suite of ISSB Standards, guidance and other materials. Some

² See [AP4B Analysis of evidence of investor interest in human capital-related information](#), February 2025

³ See [AP4A Background on other human capital-related disclosure standards and frameworks](#), March 2025, and [AP4D Current state of disclosure of human capital-related information](#), March 2025.

illustrative examples of how the organising construct could support the ISSB's decision-making on human capital-related disclosures include:

- (i) identifying appropriate approaches to standard setting on risks and opportunities related to workers in an entity's direct operations as compared to workers in its value chain;
- (ii) highlighting distinctions between cross-cutting and industry-specific disclosures related to human capital; and
- (iii) providing a framework to organise and address connections between human capital and other dimensions of sustainability, such as climate.

Approach to developing an organising construct

Scope and focus of the research

Organising construct content

9. Following the research, the staff is proposing to return to the board in the coming months with an organising construct that will:⁴
 - (a) scope and frame the categories of analysis that will be used. This may include:
 - (i) Key sustainability-related concepts including risks and opportunities, as well as their relationships to economic drivers, impacts and dependencies, entity-level activities or objectives and effects on an entity's prospects in the context of human capital.
 - (ii) The dimensions of the workforce being considered (for example, workers in the direct operations, workers in the supply chain, the contingent workforce).

⁴ It should be noted that the research to develop the organising construct is still ongoing. As such, while the components listed here represent areas targeted for exploration and likely areas of content of the construct, the content of the construct itself is subject to the findings of the research.

- (iii) Human capital-related topics and subtopics (such as recruitment and retention or pay and benefits).
- (b) identify typologies that exist across these categories of analysis;
 - (i) Research conducted so far has indicated these typologies will focus primarily on dependencies, risks and opportunities, and entity activities.
 - (ii) The staff anticipates using case studies to demonstrate how these typologies play out in practice.
- (c) provide explanations of key terms;
- (d) explain how the ISSB's existing work, including IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and the phase one research findings, relate to the organising construct; and
- (e) set out how the staff expects to use the organising construct in the ongoing Human Capital research project, including for any potential recommendations for standard-setting.

Scope of the research

10. The thematic scope of the organising construct will align with the scope of the Human Capital research project. That is, the organising construct will consider relevant concepts insofar as they relate to an entity's workforce, covering concepts related to risks and opportunities that are connected to both an entity's own workforce and workers in the value chain.⁵ As such, the construct will not explicitly consider other stakeholder groups (such as communities) or other sustainability topics (such as climate), except where they are directly relevant to human capital-related risks and opportunities (for example, in relation to a 'just transition' to a lower-carbon economy).

⁵ See [AP2 Projects to add to the work plan](#), April 2024.

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11. In developing the construct, the staff is being guided by the ‘S1 plus’ approach that has been used throughout the research projects. IFRS S1 already provides several components of an organising construct (for example, through the core content areas of governance, strategy, risk management and metrics and targets, and the distinction between cross-cutting and industry-specific dimensions of sustainability-related risks and opportunities). In developing the construct, the staff is directly building upon the foundations laid by IFRS S1, with the organising construct focusing on addressing additional, human capital-specific areas that have not been expressly articulated.
 12. In addition to ‘S1 plus’, the staff’s development of the organising construct is also being guided by the other ‘anchoring principles’ established in the first phase of research.⁶ These are facilitating decision-useful information for investors, building on existing literature and practice, and considering the ISSB’s core activities (connectivity, interoperability and stakeholder engagement), as well as proportionality. In addition to integrating these principles into the research, the organising construct should support their practical application as the research continues.

Methodology being used to develop the organising construct

Research activities

13. Taking the scope and focus set out above as the starting point, the staff is being informed by three areas when developing the organising construct:
 - (a) *Dedicated research to analyse existing concepts and constructs*—the staff is conducting desk research to map existing concepts and constructs related to human capital, drawing on a range of sources. The staff is evaluating existing standards and frameworks related to human capital, covering both disclosure frameworks and normative standards, such as the ILO’s international labour

⁶ See [AP2B Research design and approach](#), July 2024.

standards. We are also utilising academic and industry research that explores human capital-related concepts and the relationships between them.

- (b) *Phase one research findings*—the staff is examining the research findings from the first phase of research to assess how aspects of human capital map to the key concepts being considered and the ways in which boundaries and connections were drawn between them in practice.
- (c) *Outreach and engagement*—the staff is also conducting additional, targeted stakeholder engagement with investors, preparers and subject matter experts. This is being done to ensure the construct reflects the practical reality for those stakeholders involved in considering and/or managing human capital-related risks and opportunities. This should also ensure the construct can facilitate the development of disclosure requirements and other materials that meet the needs of companies when communicating with investors. The staff is also engaging with other initiatives that are engaged in relevant research, such as the Taskforce on Inequality and Social-related Financial Disclosures.

14. Utilising these inputs, the staff is taking an iterative approach, developing, testing and refining the construct through stakeholder feedback and ongoing research. This is being done to ensure, as far as possible, the organising construct is logical, coherent, and reflective of the realities faced by both preparers and users when considering human capital-related risks and opportunities.

Balancing the sources available with ISSB's objectives

15. A key part of the rationale for developing an organising construct is the lack of an existing approach for understanding human capital-related risks and opportunities that reflects the objectives of the ISSB. As such, the research necessarily draws on sources whose scope and purpose differ from the ISSB. For example, the research includes a consideration of normative standards that seek to set standards of behaviour and disclosure frameworks focused on company impacts.

16. As a result, a central activity in developing the construct has been considering how those insights relate to and fit within an organising construct that is developed to explicitly align with (and further) the ISSB's objectives. Further engagement with the ISSB's stakeholders and analysis of the findings from the first phase of research is particularly valuable in grounding these broader sources in the context of the ISSB's work. For instance, the staff is reviewing the research on investor interest to identify where and why investors use information on an entity's adherence to normative frameworks to understand an entity's exposure to human capital-related risks.

Questions for the ISSB

1. Does the ISSB agree with the proposed approach to developing a human capital organising construct?
2. Does the ISSB have any feedback on the proposed outputs of the organising construct?
3. Does the ISSB have any suggestions that could enhance the usefulness of the organising construct for the ISSB's activities?