
Sustainability Standards Advisory Forum meeting

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Project	Human Capital
Topic	Phase 1 research—summary of findings
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This paper has been prepared for discussion at a public meeting of the Sustainability Standards Advisory Forum (SSAF). This paper does not represent the views of the International Sustainability Standards Board (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*.

Sustainability Standards Advisory Forum, May 2025, Agenda Paper 4A

This paper has been discussed at the International Sustainability Standards Board's April 2025 meeting as Agenda Paper 4.

Purpose and structure

1. This paper provides the International Sustainability Standards Board (ISSB) with a summary of findings from the first phase of its research project on risks and opportunities associated with human capital.
2. The staff will not ask the ISSB to make any decisions in this session.
3. This paper is structured as follows:
 - (a) background (paragraphs 5–9);
 - (b) summary of findings from phase 1 (paragraphs 10–21);
 - (c) common themes in the four research areas (paragraph 22); and
 - (d) next steps (paragraph 23).

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4. Appendix A contains a complete list of all agenda papers discussed by the ISSB in the first phase of research.

Background

5. In July 2024, we provided the ISSB with an overview of the design and approach used to carry out the first phase of the Human Capital research project.¹ The project is intended to collect evidence on two broad areas of consideration:
- (a) the nature and extent of investors' need for more useful information about human capital-related risks and opportunities that could be reasonably expected to affect an entity's prospects; and
 - (b) the potential way(s) to address that need.
6. We developed our design and approach with a particular focus on four anchoring principles to help ensure the 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
 - (d) considers the ISSB's core activities of interoperability, connectivity and stakeholder engagement, as well as its commitment to proportionality.
7. We decided to execute the research using a phased approach that would enable the ISSB to first build a foundation of knowledge and understanding before

¹ [Agenda Paper 2B Research design and approach](#) (July 2024).

synthesising the findings and analysing implications regarding the necessity and feasibility of standard-setting.

8. Our research thus far has focused on the initial, foundation-building phase with work taking place in four, clearly defined areas guided by specific research questions. The key research areas 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?’;
 - (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) *landscape of other 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 entity disclosure about human capital-related risks and opportunities?’
9. Within the four key areas of research, the staff was guided by the anchoring principles, including in work designed to leverage core activities and considerations of proportionality. Specifically, the staff considered areas of potential connectivity between the ISSB’s and International Accounting Standards Board’s (IASB) respective requirements and potential opportunities to pursue interoperability with other sustainability reporting standards and requirements. Meanwhile, we engaged with a diverse group of stakeholders including to begin developing an understanding of the range of capabilities and preparedness of reporting companies and investors around the world.

Summary of findings from phase 1

Evidence of investor interest

10. In the first phase of research, we engaged with individuals from 158 organisations throughout the investment value chain. We also obtained evidence of investor interest through a literature review. In September 2024, the ISSB also considered an investor perspective on its work plan, including the Human Capital research project, presented by the vice-chair of the ISSB Investor Advisory Group (see Appendix A).
11. The main findings from the investors we spoke with are:
 - (a) investors of all types and in all jurisdictions expressed strong interest in information about human capital-related risks and opportunities;
 - (b) the main drivers of investor interest in information on human capital-related risks and opportunities are a desire to manage investment risk and to enhance returns;
 - (c) investors seek information on risks and opportunities associated with a range of human capital topics, including most notably:
 - (i) working conditions and exploitation;
 - (ii) health, safety and wellbeing;
 - (iii) diversity and inclusion;
 - (iv) pay and benefits;
 - (v) recruitment and retention; and
 - (vi) workforce composition.
 - (d) priority topics vary depending on whether the investor is considering risks and opportunities associated with an entity's own workforce or those in its value chain, as well as on where the investor is located and the locations in which it invests.

- (e) several specific data points emerged as consensus priorities for investors, including information about worker turnover, and the structure and composition of the entity's workforce and its supply chain;
- (f) investors seek more detailed and disaggregated information about human capital, including industry-specific information, with more explicit links to business strategy; and
- (g) investors face costly challenges related to the inconsistent availability and quality of currently available information about human capital-related risks and opportunities.

Evidence of effects on an entity's prospects

- 12. In the first phase of research, we obtained evidence on effects of human capital-related risks and opportunities on an entity's prospects through a literature review covering more than 50 publications, including both academic and market research. This desk research was supplemented by stakeholder engagement.
- 13. Our main findings are:
 - (a) correlations are well-established between financial outcomes and various aspects of an entity's human capital management, including employee satisfaction, retention and development as well as working conditions in the value chain;
 - (b) however, investors suggest that other significant effects may be obscured by the lack of high-quality disclosure and resulting market mispricing;
 - (c) effects may arise through a range of different channels, which depend on business model (ie, industry-specific impacts and dependencies) and external factors (ie, workforce trends and demographics); and

- (d) evidence is relatively more robust for effects related to an entity's own workforce than it is for workers in the value chain and for alternative workforces.

Landscape of other standards and frameworks

- 14. In the first phase of research, we reviewed and analysed currently available disclosure standards and frameworks relating to human capital and assessed these standards and frameworks to identify disclosure elements that are similar to, different from or more specific than the requirements in IFRS S1 and the SASB Standards.
- 15. Our main findings are:
 - (a) requirements or recommendations of other human capital-related disclosure standards and frameworks are broadly aligned with the requirements in IFRS S1 and the SASB Standards, but focus more specifically on particular human capital-related topics, information and practices;
 - (b) explicit requirements related to some of these areas of greater specificity may provide useful input to investors for decisions relating to providing resources to an entity, such as:
 - (i) information about the role of grievance mechanisms and human rights due diligence, including any alignment with normative standards, in the process to identify and assess risks and opportunities; and
 - (ii) human capital-specific metrics (and targets) focused on the disaggregation of the workforce by various characteristics, including roles, locations, demographics and contract types;
 - (c) in other areas, the other disclosure standards and frameworks differed from IFRS S1 and SASB Standards, particularly in the core content

area of strategy, where they specified the disclosure of information about:

- (i) considerations of worker engagement; and
- (ii) the structure and composition of the value chain.

Current state of disclosure

16. In the first phase of research, we conducted large-scale analyses of human capital-related information disclosed by more than 4,000 unique entities during the 2023 reporting cycle. One analysis covered reporting by a global sample of publicly traded entities headquartered in both developed and emerging markets, representing a diversity of regions, sectors and market capitalisation ranges. The other analysis focused on disclosures prepared in accordance with SASB Standards.
17. Our main findings are:
 - (a) human capital-related information of various types is commonly disclosed by entities of all sizes, in all regions and in all sectors.
 - (b) however, the consistency and comparability of human capital-related disclosure is limited, with significant variation between entities, industries and regions;
 - (c) entities disclose human capital-related information in a variety of locations, including, for example, annual reports, integrated reports, financial reports, securities filings and sustainability reports.
 - (d) entities regularly disclose information that is broadly relevant to the core content areas of IFRS S1—particularly with respect to governance and risk management—but such disclosure rarely includes all of the information required by IFRS S1;
 - (e) many entities referenced one or more disclosure standards or frameworks in their human capital-related disclosures but the degree of

alignment or conformity with those standards was not determined. The most frequently mentioned were the GRI Standards, followed by the SASB Standards.

- (f) metrics-based disclosure fell into three broad groupings of:
 - (i) topics that were commonly disclosed and consistently measured throughout sectors, including information about diversity and inclusion (for example, workforce disaggregation by gender), recruitment and retention (for example, turnover rate) and training and development (for example, training hours);
 - (ii) topics that were commonly disclosed throughout sectors, but differently measured, including information about workforce governance (for example, labour law violations and description of a code of ethics); and
 - (iii) topics for which disclosure was concentrated among a subset of sectors, often with industry-specific information, including health, safety and wellbeing and sourcing practices; and
- (g) the disclosure practices of reporting entities are likely to continue evolving given the relatively recent issuance of IFRS S1, upcoming enhancements to the SASB Standards, and the recently released European Sustainability Reporting Standards for an entity's own workforce (ESRS S1) and workers in its value chain (ESRS S2).

Interoperability and engagement with jurisdictions

18. In the first phase of research, we engaged with the members of the Sustainability Standards Advisory Forum (SSAF) to help enhance our understanding of current and upcoming jurisdictional human capital-related disclosure requirements. Based on an analysis of the 26 responses to an August 2024 survey, our main findings are:

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- (a) almost all responding jurisdictions have existing disclosure requirements covering human capital-related topics;
 - (b) almost all these requirements are mandatory and some of the requirements are highlighted as being specifically investor-focused;
 - (c) the requirements cover a wide range of human capital-related topics, including the health, safety and wellbeing of the workforce, diversity and inclusion, worker voice and representation, training and development, , working conditions and exploitation, and workforce composition;
 - (d) the topics most commonly covered in the investor-focused requirements are diversity and inclusion, pay and benefits, training and development, and health, safety and wellbeing of the workforce; and
 - (e) although many of the same topics are common among jurisdictions, the associated requirements often ask for different types of information.
19. In addition, we engaged with the technical staffs of the GRI and EFRAG to consider potential areas of opportunity for pursuing interoperability with the GRI and ESRS labour-related standards.

Connectivity

20. In the first phase of research, we collaborated with the IASB technical staff to assess information about human capital-related matters that might be presented or disclosed in financial statements when applying IFRS Accounting Standards. The assessment was conducted as part of our work to assess the landscape of standards and frameworks.
21. Our main findings are:
- (a) there are limited IFRS Accounting Standards that when applied might result in information directly relating to human capital-related matters being presented or disclosed in financial statements. They include:

- (i) requirements to present or disclose information directly relating to human capital-related matters; and
 - (ii) requirements to consider the effects of human capital-related matters in applying IFRS Accounting Standards to recognise and measure assets, liabilities, equity, income and expenses, which can result in presentation or disclosure of information about human capital-related matters.
- (b) the findings can help inform future phases of the Human Capital project as well as other areas of the ISSB's work plan.

Common themes in the four research areas

22. In considering the findings of the four research areas, including our activities relating to interoperability and connectivity, we have identified some initial, common themes on disclosure of information about human capital-related risks and opportunities. These common themes include:
- (a) although the link between human capital management and value creation is well established, and investors have long incorporated considerations of human capital into their investment processes, entity disclosure is not consistent or comparable;
 - (b) other standards and frameworks specify particular disclosures for many of the topics identified as priorities by investors, including information related to working conditions, diversity and inclusion, workforce composition, worker turnover and the structure and composition of the value chain.
 - (c) although many human capital-related topics are likely to be relevant to most entities, the ways in which they give rise to risks and opportunities—and therefore affect an entity's prospects—often varies based on:

- (i) the particular business models, activities or other common features that characterise participation in an industry; or
 - (ii) the particular workforce-related and regulatory circumstances within a jurisdiction or region.
- (d) when it comes to management and disclosure, entities take different approaches to risks and opportunities associated with their own workforce than they do to risks and opportunities associated with workers in their value chain;
- (e) some risk management activities and related disclosures are inclusive of human capital, but also may apply to other non-workforce-related risks and opportunities—for example, an entity’s human rights due diligence.

Next step

23. In concluding the first phase of the research project on Human Capital, we have developed our design and approach for the next phase of research. The design and approach are outlined in Agenda Paper 4A *Research design and approach—next phase*.

Question for the ISSB

1. Do ISSB members have any comments or clarifying questions on this paper?
2. Are there any key takeaways from the first phase of research that ISSB members think we have overlooked, emphasised too much or too little, or mischaracterised in this paper?

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 in the research area of other disclosure 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>
February 2025	<p>The staff presented its complete findings in two of the research areas—evidence of investor interest and evidence of effects on an entity's prospects.</p> <p><u>AP4 Cover note</u></p> <p><u>AP4A Approach to research on evidence of investor interest in human capital-related risks and opportunities</u></p> <p><u>AP4B Analysis of evidence of investor interest in human capital-related information</u></p> <p><u>AP4C Evidence of effects on an entity's prospects</u></p>
March 2025	<p>The staff presented its complete findings in two of the research areas—other disclosure standards and frameworks and current state of disclosure.</p> <p><u>AP4 Cover note</u></p> <p><u>AP4A Background on other human capital-related disclosure standards and frameworks</u></p> <p><u>AP4B Comparison of other standards and frameworks to IFRS S1 and the SASB Standards</u></p> <p><u>AP3B and AP4C Current state of disclosure—Background and methodology</u></p> <p><u>AP4D Current state of disclosure of human capital-related information</u></p>

Date	Meeting
	<i>AP4E Current state of disclosure of human capital-related information—Sector findings</i>