Staff paper

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ISSB Meeting

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Project	**Human Capital**
Topic	**Project update and proposed next steps**
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Purpose and structure

1. The purpose of this paper is to provide the International Sustainability Standards Board (ISSB) with:
   (a) an update on the status of the Human Capital research project;
   (b) an assessment of progress made on the considerations for determining the project's direction; and
   (c) an overview of proposed activities to advance the project.

2. This paper is structured as follows:
   (a) project background (paragraphs 3–10);
   (b) progress made on the considerations for determining the project's direction (paragraphs 11–29);
   (c) proposed activities to advance the project (paragraphs 30–48);
   (d) next steps (paragraph 49);
   (e) staff recommendation and questions for the ISSB (paragraph 50);

(f) appendix—summary of progress made on considerations for establishing a standard-setting project.

Project background

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. The research project focuses on risks and opportunities associated with an entity's own workforce and with workers in other parts of the entity's value chain (workforce-related risks and opportunities).

4. The purpose of a research project, as set out in the IFRS Foundation *Due Process Handbook* (*Handbook*), is to analyse possible financial reporting problems by collecting evidence on the nature and extent of a perceived shortcoming and assessing potential ways to improve financial reporting or to remedy a deficiency. Such analysis helps the ISSB decide whether it should undertake a standard-setting project.

5. In line with that purpose, the staff developed a research design and approach with a particular focus on four anchoring principles to ensure the ISSB's workforce-related research:

   (a) is anchored in meeting the common information needs of investors regarding risks and opportunities that could reasonably be expected to affect an entity's prospects;

   (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.

6. We then executed the research, applying these principes throughout and using a phased approach. The first phase focused on building a foundation of knowledge and understanding, with work taking place in four, clearly defined areas guided by specific research questions. The key research areas were:

   (a) *evidence of investor interest*—'what are the workforce-related 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 workforce-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 workforce-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 workforce-related risks and opportunities?'

7. The findings from the first phase of the research project are summarised in AP4 *Phase 1 research—summary of findings* from the ISSB's April 2025 meeting.

8. The second phase of the research project moved on to synthesise findings to help the ISSB assess whether standard-setting is likely to result in improvements to workforce-related disclosure that will outweigh the costs. To achieve this aim, the research assessed potential standard-setting along two dimensions:

   (a) *necessity*—whether there is a clear need for improved disclosure to investors regarding workforce-related risks and opportunities; and

   (b) *feasibility*—whether there is likely to be a practical and efficient approach to developing disclosure requirements regarding those risks and opportunities.

9. To evaluate standard-setting against these two dimensions, we:

(a) developed a structured approach to analysing, synthesising, organising and prioritising findings from the initial phase of research (the analytical approach), presented in AP4 *Structuring the ISSB's analysis of research findings* (October 2025); and

(b) applied the analytical approach to synthesise and assess the Human Capital research findings, presented in AP4 *Research findings on the necessity and feasibility of standard-setting* (December 2025).

10. Since conducting this assessment, the staff has been reviewing the project's findings in relation to the considerations for establishing a standard-setting project (*Handbook* paragraph 5.4). We have been considering what these findings mean for the project and evaluating what the appropriate next steps should be.

Progress on the considerations for determining the project's direction

11. Paragraph 5.4 of the *Handbook* states that the ISSB 'evaluates adding a potential project to the work plan primarily by assessing the needs of users of general purpose financial reports, while also taking into account the costs of preparing the information in those reports.'

12. Paragraph 5.4 of the *Handbook* also sets out considerations for the ISSB when deciding whether a proposed standard-setting project will address users' needs. The ISSB considers:

(a) whether there is a deficiency in the way entities report a particular type of transaction or activity in general purpose financial reports;

(b) the importance of the matter to users of general purpose financial reports;

(c) the types of entities the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than others; and

(d) how pervasive or acute the matter is likely to be for entities.

13. Paragraph 5.9 of the *Handbook* further states that 'a Board adds a project to the work plan only if it concludes that the benefits of the improvements to financial reporting are expected to outweigh the costs.'

14. Based on the research findings, the staff has provided the ISSB with a strong understanding of several of these considerations. We have also identified areas where additional research would deepen the ISSB's understanding.

Paragraph 5.4(a)—Deficiency in reporting

Current understanding

15. The research so far has shown that there are clear deficiencies in reporting on workforce-related risks and opportunities by entities. These include:

    (a) *lack of relevant, decision-useful information on workforce-related risks and opportunities disclosed*—investors often rely on third party sources for information because entities' disclosure is rarely connected to strategic or financial risk-and-return considerations;

    (b) *insufficient quality of information*— even when disclosed, information is often inconsistent, incomplete and difficult to understand or rely on, with entities often using opaque measurement methodologies; and

    (c) *lack of particular information*—investors need, among other information, improved disclosure on particular aspects of an entity's strategy for managing workforce-related risks and opportunities as well as disclosure of more information on specific workforce topics.

Further research required

16. We think it is important to better understand the nature and scope of these deficiencies, including:

(a) *the particular information that is lacking in disclosures*—for some workforce-related matters, we have identified the topics for which investors lack relevant, decision-useful information, but not the precise information that would address the need. In such cases, a more detailed understanding of the particular information investors need—and how they seek to use it—would allow us to confirm whether a deficiency exists and to assess the feasibility of potential solutions; and

(b) *the role of IFRS S1 in addressing workforce-specific reporting deficiencies*—our research has shown that the requirements in IFRS S1 are likely to meet many of investors' workforce-specific information needs. While the implementation of IFRS S1 is ongoing, we want to develop an initial understanding of the extent to which entities' implementation and application of IFRS S1 addresses deficiencies in reporting on workforce-related risks and opportunities. Doing so would help identify where there is a genuine need for incremental materials. Such an assessment can also provide a starting point for an ongoing assessment of how workforce-related reporting evolves and improves over time.

Paragraph 5.4(b)—Importance to users of financial reports

Current understanding

17. Our research has shown that information on an entity's workforce-related risks and opportunities is important to investors based on evidence that:

(a) investors have expressed a strong need for such information for their decision-making; and

(b) there are well-established correlations between workforce-related risks and opportunities and an entity's prospects—that is, its cash flows, access to finance and cost of capital in the short, medium or long term.

Evidence of investor interest

18. Based on our research, investors use workforce-related information in investment decision-making to manage risks and to enhance returns. Investors of all types and in all jurisdictions expressed strong interest in information about workforce-related risks and opportunities, which they increasingly consider in their investment decisions.

19. These findings have been consistent throughout the research project. Most investors who responded to the Request for Information with their priorities for new research projects rated the potential research project on human capital as a priority for the ISSB's next two-year work plan.[1] Investor feedback to the recent SASB Standards exposure drafts has also reflected demand for workforce-related information, and furthermore for workforce-related information to be disclosed by entities in most or all industries.[2]

Evidence of effects on an entity's prospects

20. Information that helps investors assess an entity's prospects is important because it supports decisions about allocating capital to an entity. Our research found well-established correlations between various aspects of an entity's workforce management and its prospects. Evidence suggests such effects can arise through a range of different channels, depending on business model (ie, industry-specific impacts and dependencies) and external factors (for example, workforce trends and demographics).

Further research required

21. The staff thinks there is an opportunity to establish a more nuanced understanding of how, why and when workforce-related matters are important to users of general purpose financial reports. Specifically, we want to better understand:

[1] See paragraphs 34-35, AP2 *Projects to add to the work plan*

[2] See paragraphs 42-42, AP6A *Feedback summary—Questions 1-5 in the SASB Exposure Draft*

(a) *the circumstances in which workforce-related information becomes important*—the research showed that an entity's geography and business model can play a significant role in when and how workforce-related risks and opportunities arise and affect an entity's prospects. By understanding how these processes work, we can more clearly identify information that is useful to investors and develop solutions that most appropriately meet the need (for example, through cross-cutting or industry-specific materials).

(b) *whether there are specific information needs for workforce-related topics identified as important by investors*—for some topics, investors did not agree on the exact information they need. In these instances, we need to understand how investor demand at a topical level translates into specific information needs to determine whether standard-setting addressing that topic is necessary and feasible. More clarity on the precise information investors need will also help us determine the likely scope of any potential standard-setting.

(c) *the importance of emerging workforce-related risks and opportunities, particularly those related to AI*— AI deployment has advanced significantly over the course of the project and our discussions with investors suggest their information needs have changed as a result. Reassessing investor interest in disclosure about workforce-related risks and opportunities associated with AI would help us better understand and address their current needs

Paragraph 5.4(c)—Types of entities affected and prevalence in jurisdictions

Current understanding

22. All entities, regardless of size, ownership status, business model, industry or jurisdiction, have workers. Consequently, workforce-related risks and opportunities could affect any entity's prospects, suggesting that some workforce-related information is likely to be relevant to all entities. At the same time, our research has also shown that an entity's business model and jurisdiction can play a significant role

in determining whether and how particular workforce-related risks and opportunities arise and, in turn, what information is relevant to understanding an entity's prospects.

Further research required

23. We think it is important to better understand how an entity's business model influences the relevance of particular workforce-related risks and opportunities. Our research has shown that investors need workforce-related information from entities in all industries, including information specific to entities in particular industries. More clearly articulating the connections between an entity's business model and workforce-related risks and opportunities will enable us to identify the circumstances in which particular information is most relevant to investors' needs. Understanding these connections will also help us make the body of workforce-related disclosures coherent and mutually reinforcing.

24. We also want a clearer understanding of the role that an entity's geography plays in both the workforce-related risks and opportunities an entity faces and the information that entities can and should disclose on those risks and opportunities. Doing so would enable us to better establish what information is appropriate for consideration as part of a global baseline of workforce-related disclosures. Such analysis could also inform where proportionality considerations may be relevant for workforce-related disclosures.

Paragraph 5.4(d)—Pervasiveness or acuteness to entities

Current understanding

25. In almost all circumstances, workers are central to entities' ability to generate cash flows over the short, medium and long term. While entities vary in terms of how they deploy workers, all entities depend on a workforce to a significant degree. Workforce-related risks and opportunities therefore have the potential to significantly affect entities' prospects, making the issue highly pervasive. Our research has also shown

that the acuteness (severity) depends on the particular workforce-related issue in question, as well as internal factors (such as the entity's business strategy) and external factors (such as labour market trends).

Further research required

26. We think there is an opportunity to better understand the factors that drive variation in the severity of workforce-related risks and opportunities. A more granular understanding of the relationship between specific workforce-related issues and an entity's circumstances would enable us to more clearly identify information that is likely to be relevant across industries and jurisdictions. Doing so would also show where the ISSB may need to tailor its approach to disclosure by demonstrating, for example, where industry-specific materials may be more appropriate.

Costs of preparing and reporting information

Current understanding

27. When evaluating whether to add a potential project to the work plan, the ISSB also takes into account the costs of preparing the information in general purpose financial reports (paragraph 5.4 of the *Handbook*). As the research has shown that current reporting practices are not meeting investors' information needs, preparers would face some incremental costs if the ISSB decided to introduce new reporting requirements to meet those needs. At the same time, the research has also demonstrated that preparers are already experiencing costs to prepare workforce-related information. For example, many preparers face costs for providing information on a voluntary basis or to meet mandatory jurisdictional reporting requirements. These costs are increased by the fragmented requirements of different mandatory and voluntary frameworks, so reducing fragmentation has the potential to reduce costs.

Further research required

28. Given these findings, we want to better understand:

    (a) where costs for workforce-related disclosures would be concentrated, in terms of the types of information disclosed and the types of preparers disclosing that information;

    (b) why those costs concentrate where they do; and

    (c) whether and how these costs might be mitigated.

29. Achieving this understanding would enable us to provide a more detailed and complete assessment of whether the benefits of adding a potential standard-setting project to the work plan would outweigh the costs. It would also enable us to more precisely identify the workforce-related information for which proportionality mechanisms may be appropriate.

Proposed activities to advance the project

Summary of proposed activities

30. To advance the project, the staff proposes:

    (a) Conducting additional research on a focused set of areas that are outstanding (see paragraphs 32–45); and

    (b) changing the title of the project to 'Workforce-related Disclosures' (see paragraphs 46–48).

31. We think that these activities will ultimately enable the ISSB to make a more accurate and well-considered assessment of the considerations for adding a standard-setting project to the work plan. In the event the ISSB decides to move to standard-setting, we think this approach would enable the ISSB to proceed to publishing an exposure draft (rather than a discussion paper) as the next due process step, subject to a staff recommendation and agreement from the ISSB.

Proposed research areas

32. To make a recommendation to the ISSB about whether to move the project from research to standard-setting, we propose additional research focused on the following areas:

    (a) workforce-related terms and definitions already in use;

    (b) investors' precise information needs for specific workforce-related topics;

    (c) the relationship between an entity's business model and workforce-related risks and opportunities;

    (d) the jurisdictional context for workforce-related risks, opportunities and disclosures; and

    (e) emerging disclosure of workforce-related information applying IFRS S1.

33. The overall objective of this next phase of research is to close the gaps between the staff's current understanding of the considerations for establishing a standard-setting project and the understanding needed to make a recommendation to the ISSB. Accordingly, we intend to build upon existing research findings, not to repeat research we have already done. Additionally, while several aspects of this next phase of research may prove useful should the ISSB decide to move the project from research to standard-setting, this work is not intended to pre-empt that decision.

Workforce-related terms and definitions already in use

34. This workstream examines workforce-related terms and definitions relevant to standard-setting. It aims to:

    (a) identify the key terms and concepts used to describe workforce-related matters in the sustainability standards, frameworks and initiatives most widely used today;

    (b) analyse where these key terms and concepts are substantively the same across sources, where they diverge, and where relevant concepts already exist in IFRS Accounting Standards and the SASB Standards;

(c) explore the implications for the ISSB's standard-setting—highlighting where alignment and interoperability should be straightforward and where the ISSB is likely to face trade-offs; and

(d) propose working descriptions of key workforce-related terms to be used for the remainder of the research project, to facilitate effective communication between the staff, the ISSB and stakeholders.

35. This workstream will inform our understanding of the costs of preparing and reporting information by clarifying where we are likely to be able to build on established definitions and where new ones may be needed. Doing so will also support interoperability with existing frameworks such as ESRS and GRI.

Investors' precise information needs for specific workforce-related topics

36. This workstream aims to identify the specific workforce-related information investors need for those topics where they expressed strong demand for improved disclosure, but less clarity about their specific needs. These include, for example, information related to pay and benefits and health and safety. The research will also assess investors' information needs on emerging topics, particularly the workforce-related risks and opportunities arising from AI use.

37. This research will filter, rather than expand, the staff's understanding of the areas where standard-setting is necessary. Any areas that have not already been identified as being relevant to investors will not be included in this work. As with all the research in this project, we will continue to focus exclusively on identifying the information investors need for decisions about providing resources to an entity.

38. The exercise of clarifying investors' information needs will inform our understanding of deficiencies in reporting and the importance particular data points to users. It will also help clarify the likely costs of preparing and reporting workforce-related information by more clearly demonstrating the scope of potential workforce-related standard-setting.

The relationship between an entity's business model and workforce-related risks and opportunities

39. This workstream aims to clarify the relationship between the features of an entity's business model and the workforce-related risks and opportunities the entity faces. Features of business models could include, for example, whether the entity sells to consumers or other businesses, or whether the entity has an extensive supply chain. This research aims to provide greater clarity on how this relationship connects to investors' cross-cutting and industry-specific workforce information needs, and how both forms of disclosure can interact to most effectively meet investors' needs.

40. Identifying these connections will support our understanding of the types of entities affected by workforce-related risks and opportunities, the prevalence of those risks and opportunities and how pervasive or acute workforce-related reporting issues are likely to be for entities. The analysis will highlight where it is appropriate to address workforce-related information needs through thematic materials. It will also help inform our understanding of how cross-cutting and industry-specific disclosures could relate to one another and support enhancements of the ISSB's industry-based materials.

The jurisdictional context for workforce-related risks, opportunities and disclosure

41. This workstream examines how social, cultural, regulatory and other jurisdictional factors shape the way preparers experience, manage and disclose workforce-related risks and opportunities. It aims to identify these factors, discern patterns of jurisdictional approaches to workforce disclosure, and evaluate the implications of those patterns for developing a global baseline.

42. This workstream will inform our assessment of the prevalence of workforce-related risks and opportunities, the pervasiveness of these risks and opportunities and the costs of preparing and reporting workforce-related information. In doing so, it will help us understand what sort of global baseline is realistically possible for workforce-related information and where jurisdiction-specific barriers may constrain disclosure.

The findings of this work will also help identify potential proportionality considerations, should the project move from research to standard-setting.

Emerging disclosure of workforce-related information applying IFRS S1

43. This workstream will enhance our understanding of the current state of workforce-related disclosure by assessing emerging workforce-related disclosure practices among entities applying IFRS S1 to better understand whether the requirements in IFRS S1 are sufficient to elicit decision-useful information about workforce-related risks and opportunities. This research aims to evaluate whether and how disclosures provided applying IFRS S1 are meeting the information needs identified by investors in the research project. This workstream will also surface potential implications for standard-setting where disclosures provided applying IFRS S1 are not meeting these needs.

44. Conducting this assessment will inform our understanding of deficiencies in reporting by highlighting where IFRS S1 may be sufficient to address existing deficiencies in workforce-related information. It will also help us better identify the costs of preparing and reporting workforce-related information by clarifying the likely scope and nature of any potential standard-setting.

45. Many jurisdictions have taken a ‘climate-first’ approach in mandating IFRS S1 and IFRS S2, often with extended transition relief for matters beyond climate. Additionally, implementation of IFRS S1 and IFRS S2 is at an early stage and will likely evolve over time. The findings from this research will therefore provide a helpful starting point for considering where further materials may be necessary to meet investors information needs. To reflect this evolving practice, we will also continue to monitor disclosures provided applying IFRS S1 if the ISSB decides to undertake standard-setting on workforce-related risks and opportunities.

Changing the title of the project

46. The staff thinks that the project's title should be changed from 'Human Capital' to 'Workforce-related Disclosures' to better meet the project's outstanding research objectives.

47. Our research has shown that the stated scope of the ISSB's Human Capital project often does not reflect the varying definitions and uses of the term 'human capital' in the market. As a result, we have faced several challenges throughout the project, which are detailed in Appendix B of AP4 *Structuring the ISSB's analysis of research findings* (October 2025). These challenges include difficulties establishing a shared understanding of the project scope, communicating with stakeholders, and ensuring that research activities and findings align with the project's objectives.

48. We think that changing the name of the project to 'Workforce-related Disclosures' would better reflect the scope of the project, enhance clarity and facilitate better communication between the staff, the ISSB and stakeholders.

Next steps

49. The staff expects to share research findings—whether preliminary or final—periodically in the coming months. As an initial step, we plan to share findings on the workforce-related terms and definitions already in use.

Staff recommendation and question for the ISSB

50. The staff recommends that the ISSB change the title of the project to 'Workforce-related Disclosures'.

Questions for the ISSB
1. Do members of the ISSB have any questions or feedback about the staff's assessment of progress made on the considerations for establishing a standard-setting project?

Questions for the ISSB
2. Do members of the ISSB have any comments about the staff's proposed activities for the project, or about any other activities that were not proposed but that would help inform the ISSB's assessment of whether to add a standard-setting project to the ISSB's work plan? 3. Do members of the ISSB agree with the staff recommendation in paragraph 50 to change the title of the project to 'Workforce-related Disclosures'?

Appendix—Summary of progress made on considerations for establishing a standard-setting project

Consideration	Current understanding	Further research required	Relevant workstream
5.4(a) Deficiency in reporting	Clear deficiencies exist: a lack of relevant, decision-useful information; insufficient quality (non-standardised, inconsistent, unverifiable); and a lack of particular information on strategy and metrics.	• The exact information required for topics where the precise deficiency is unclear • Where and how IFRS S1 is already providing workforce information that meets investors needs	• Clarifying information needs • Emerging disclosure
5.4(b) Importance to users	Workforce-related information is important to investors: they express a strong need for it in decision-making, and there are well-established correlations between workforce-related risks and opportunities and an entity's prospects.	• A more granular understanding of how and why workforce information is important, including the circumstances (geography, business model) in which it becomes important • The particular information (not just topics) of interest, and the importance of emerging issues, particularly AI	• Clarifying information needs • Business model pathways
5.4(c) Types of entities affected and prevalence	Workforce-related risks and opportunities are common across all industries and jurisdictions, but business model and jurisdiction can significantly influence whether and how particular risks and opportunities arise.	• How business model influences the relevance of workforce-related risks and opportunities • The role of geography in determining material workforce-related risks and opportunities	• Jurisdictional context • Business model pathways
5.4(d) Pervasiveness or acuteness	The issues are highly pervasive because workers are central to entities' ability to generate cash flows, but acuteness varies by the specific issue and internal/external factors.	• A more detailed understanding of the relationship between specific issues and an entity's circumstances	• Jurisdictional context • Business model pathways
Costs of preparing and reporting	Current practices do not meet investor needs and new requirements would likely add incremental costs. Fragmentation across frameworks increases costs. IFRS S1 may already suffice for some subject matter.	• Where costs will be concentrated (by information type and preparer type) and why • Whether/how costs can be mitigated	• Jurisdictional context • Terms and definitions • Clarifying information needs • Emerging disclosure