
ISSB meeting

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Purpose of the paper

1. This paper presents the findings related to the research question ‘what are the human capital-related information needs of investors, and how is current disclosure practice meeting or failing to meet these needs?’^{1, 2, 3}
2. This paper summarises the results of engagements with 158 investors and other stakeholders in the investment value chain and integrates those results with the evidence obtained through a literature review. It presents these results in relation to four dimensions:
 - (a) the level and drivers of investor interest in human capital-related risks and opportunities;
 - (b) the type and sources of human capital-information investors are interested in;
 - (c) how investors use such information in their investment decision-making processes; and

¹ See [AP2B: Biodiversity, ecosystems and ecosystem services and human capital research](#), July 2024.

² Investor means ‘primary user’ as defined in [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, Appendix A](#).

³ Human capital refers to the people who make up a company’s own workforce and workers in the company’s value chain. Consistent with the <IR> Framework, human capital also refers to the workforce and workers’ competencies, capabilities and experience, and motivations to innovate.

- (d) the information challenges, barriers or gaps faced by investors.
3. This paper is meant to be read in conjunction with Agenda paper 4A *Approach to research on evidence of investor interest in human-capital related risks and opportunities*.
 4. In this paper the ISSB is not being asked to make any decisions.

Structure of the paper

5. The paper is structured as follows:
 - (a) Approach to the research on evidence of investor interest
 - (b) Summary of findings and next steps
 - (c) Analysis
 - (i) The level and drivers of investor interest in human capital-related risks and opportunities
 - (ii) The type and sources of human capital-information investors are interested in
 - (iii) How investors use human capital information in their investment decision-making processes
 - (iv) The human capital information challenges, barriers or gaps faced by investors
 - (d) Appendix A: Summary of findings relating to levels and drivers of investor interest in human capital-related information

Approach to the research on evidence of investor interest

6. From June 2024 to January 2025, the staff engaged with over 300 individuals from 158 investor organisations and other stakeholders in the investment value chain using bilateral discussions and roundtables. These engagements covered a diverse set of

organisations and functions, including asset managers and owners, sell-side research firms and banks, based in Europe, North America, Africa, Latin America and the Caribbean, the Asia-Oceania region and the Middle East.

7. The staff complemented the investor-focused engagements with a literature review examining research on investor interest in information on human capital-related risks and opportunities, including investor information sources, uses and challenges. Agenda paper 4A *Approach to research on evidence of investor interest in human-capital related risks and opportunities* further details the approach taken to engagement and the literature review.
8. This paper uses the following terms to describe the extent to which feedback was provided by users (Table 1):

Term	Extent of response
Almost all	All except a very small minority
Most	A large majority, with more than a few exceptions
Many	A small majority or large minority
Some	A small minority, but more than a few
A few	A very small minority

Table 1—Terminology used to quantify feedback

Summary of findings and next steps

Summary of findings

9. Investors of all types and in all jurisdictions expressed strong interest in information about human capital-related risks and opportunities, which they increasingly consider in their investment decisions (see paragraph 23).

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10. 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. Client demand and regulatory requirements also play a role in investor interest, but to a lesser degree (see paragraphs 24-28).
 11. Investors want information on risks and opportunities that fall within a range of human capital topics. Many investors expressed an interest in information related to:
 - (a) working conditions and exploitation;
 - (b) health, safety and wellbeing;
 - (c) diversity and inclusion;
 - (d) pay and benefits;
 - (e) recruitment and retention; and
 - (f) workforce composition.⁴
 12. Some investors showed an interest in information related to worker voice and representation, workforce-related human rights due diligence and risk assessments, sourcing practices, training and development, and workforce transitions (including AI, automation and the transition to a low-carbon economy).
 13. A few investors expressed an interest in information on the risks and opportunities related to grievance mechanisms and workforce governance (see paragraphs 29-30).
 14. Investor interest in the human capital topics set out in paragraphs 11-13 varies for the direct operations workforce compared to workers in the supply chain.⁵ Investors also prioritised different topics based on where they were located and the locations they invest in. Investors based in emerging markets and developing economies (EMDEs) had specific priorities, namely risks and opportunities relating to the informal

⁴ A full list of the topics used in the analysis and the sub-topics included within them is set out in Agenda paper 4A *Approach to research on evidence of investor interest in human-capital related risks and opportunities*.

⁵ For example, investors expressed an interest in information on training and development in relation to workers in the direct operations. In contrast, some investors viewed information on workforce-related human rights due diligence and risk assessments, and grievance mechanisms, as relevant only to the supply chain, while others also viewed it as relevant to the direct operations workforce.

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- workforce, job creation and job quality, and regulatory compliance (paragraphs 37-46).
15. Several specific data points emerged as consensus priorities for investors. These focused on worker turnover, and the structure and composition of the workforce and the supply chain (see paragraphs 47-51).
 16. Investors expressed a need for particular forms and types of human capital data. Specifically, investors are looking for greater levels of disaggregation, where human capital information is broken down and reported for specific groups of workers; a mix of industry-agnostic and industry-specific information; a mix of quantitative and qualitative information; and for human capital information to be explicitly linked to business strategy (see paragraphs 52-62).
 17. Investors use human capital information in investment decision-making in a range of ways, with the most common being integration into investment analysis and decision-making, followed by stewardship.⁶ The approach an investor takes can influence what human capital information they need (see paragraphs 64-65).
 18. Investors cited several challenges in relation to human capital information that they have access to today. These challenges include limited availability of decision-useful human capital information; information being of a poor quality; challenges comparing human capital information because of varying measurements and definitions, inconsistent reporting over time or geographical variations. Investors believe human capital-related risks and opportunities impact entity's financial performance and financial condition in more ways than they are currently able to prove, with the informational challenges preventing them from doing so. They also face cost and resource demands attempting to address information gaps (see paragraphs 66-77).

⁶ **Integration** involves the ongoing consideration of ESG factors within an investment analysis and decision-making process with the aim to improve risk-adjusted returns. **Stewardship** refers to deliberate deployment of rights and influence (beyond capital allocation) to protect and advance the interests of those clients and beneficiaries. This typically includes engagement and proxy voting.

Next steps

19. In this phase of the research, the staff intentionally posed broad and open-ended questions to investors to elicit a range of views (see Agenda paper 4A *Approach to research on evidence of investor interest in human-capital related risks and opportunities*). In further analysis, the staff will have the opportunity to ask more specific questions and dive deeper into issues that investors have raised in areas where the ISSB considers further analysis important for the board's decision making. For example, it may be useful to gain a more nuanced understanding of:
- (a) How investors are considering human capital information that cannot be fully comparable due to geographical variations (for example, where disclosure of information is mandated in one jurisdiction and banned in another, or where different local contexts significantly alter the type of information reported, such as varying understandings of what is 'diverse'); and
 - (b) Whether there are human capital-related risks and opportunities in an entity's downstream value chain that are also of interest to investors.
20. Further analysis may also more deeply explore the concepts, terminology and categories investors use to understand and interpret human capital information. This may help to provide clarity, given the diverse range of framings for human capital risks and opportunities that were identified throughout the research. It would also contribute towards addressing the demand from investors for greater standardisation and increased comparability. In this regard, targeted engagement with additional types of stakeholders, including investors but also preparers and regulators, could help to clarify the ways in which information about human capital-related risks and opportunities is conceptualised.
21. Additional analysis could compare the human capital-related risks and opportunities surfaced as being of interest to investors with those where there is evidence of effects

on an entity's prospects.⁷ This would provide further insights into where investor interest is, or could be, linked to a company's financial performance and financial condition, by highlighting overlapping human capital-related risks and opportunities between the two research areas. These overlaps could indicate potential areas of focus for the ISSB's decision making.

22. This could be complemented with a more focused exploration of whether and how the rationale for investor interest in human capital information varies based on the specific data point being considered. Doing so would further clarify what human capital information investors need for investment decision making, rather than other purposes and the circumstances in which such information could reasonably be expected to influence such decisions (i.e. is material information).

Questions for the ISSB

1. What questions does the ISSB have regarding the human capital-related information needs of investors as summarised in this paper, and how current disclosure practice is meeting or failing to meet these needs?
2. What areas of investor information needs raised in this paper does the ISSB believe warrant further investigation in the research project to adequately prepare and support the ISSB in its decision making around standard setting?

⁷ Effects on an entity's prospects refers to effects to an entity's cash flow, access to finance or cost of capital over the short, medium or long term.

Analysis

Levels and drivers of investor interest in human capital-related information

23. The research highlighted strong interest among investors for information on human capital-related risks and opportunities as part of investment decision making.^{8,9} This interest was consistent regardless of the jurisdiction an investor is based in, the geographic location of their investments, their size or investment strategy.¹⁰
24. Most commonly, investors stated that they were interested in this information because an understanding of human capital-related risks and opportunities for the entity informs their assessment of investment risk and return.¹¹ Investors cited several examples of these risks and opportunities and their relationship to assessment of risk and return. One of the most common examples given by investors was excessive turnover. Investors stated this can have significant costs for companies (such as those relating to recruitment and training of replacement employees) which can then negatively affect an entity's profit margins. Another common example given by investors was industrial action, which can increase investment risk due to the threat of operational disruption to an entity. In terms of opportunities, investors also explained how companies that are perceived by consumers as treating their workforces well gain reputational benefits that can lead to consumers choosing those brands over others, increasing their market share and profitability.
25. Even within assessments of investment risks and return, investors' interest in human capital information can vary based on how that information is specifically being used. The particular investment activity, time horizon, mandate, objective and investment

⁸ QuickKnowledge ESG Research Center, '2023 QUICK ESG Investment Survey', QUICK Corp., 2023

⁹ R Jennings, L LaViers, E Rouen, J Sandvik, 'The Effects of Human Capital Disclosures on Professional Investors' Assessments of Firm Risk', SSRN, 2024, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5065997

¹⁰ A summary of the findings in relation to levels and drivers of investor interest in human capital-related information can also be found in Appendix A.

¹¹ Principles for Responsible Investment, 'U.S. Signatory Interview Briefing: Human Capital Management (HCM)', PRI US Inc., 2022, <https://www.unpri.org/download?ac=15878>

strategy are all factors that influence investors' human capital information needs.¹² For example, in one engagement it was highlighted that for asset managers in Asia, information on human capital-related risks was primarily used for screening purposes thus essentially determining 'eligibility' of an investment in accordance with investment criteria, while information on human capital-related opportunities was more often used for fundamental analysis.

26. Less commonly, investors identified other motivations for their interest in human capital information. Some investors highlighted client demand as driving their interest.¹³ The reasons for this client demand varied. In some instances, it was because asset owners had specific values-based considerations they wanted their managers to integrate into their analysis, such as religious endowments seeking to avoid investments that may infringe on human rights. In others, it was because asset owners view human capital issues as influencing the overall performance of their portfolios. One example given of this was the issue of living wages, where some asset owners viewed the payment of living wages as positive for their portfolios due to the impact this can have on economic growth overall.
27. A few investors also identified regulatory requirements as a driver of their interest in human capital information. The Sustainable Finance Disclosure Regulation (SFDR) in Europe was cited, where investors needed human capital information to meet reporting requirements in relation to their investment activities. Investors may also need human capital information from entities to meet their disclosure obligations as preparers (for example, due to legislation on corporate modern slavery reporting).
28. It should be noted that almost all investors cited a combination of these drivers as influencing their interest in human capital information.

¹² B Dannhauser, M Hodge, A Koshy, N Halkjaer Pedersen, 'What data do investors need to manage human rights risks?', Principles for Responsible Investment, 2022, https://www.unpri.org/human-rights/what-data-do-investors-need-to-manage-human-rights-risks/10856_article

¹³ Principles for Responsible Investment, 'U.S. Signatory Interview Briefing: Human Capital Management (HCM)', PRI US Inc., 2022, <https://www.unpri.org/download?ac=15878>

The types and sources of human capital-information investors are interested in

Topical information needs

29. Investors want information on risks and opportunities that fall within several human capital topics.¹⁴ Every investor cited an interest in more than one human capital topic and, on average, each investor cited four different topics as priorities during the staff's engagements with investors.
30. Some topics were cited as priorities more often than others.
- (a) Many investors expressed an interest in information on risks and opportunities relating to working conditions and exploitation, health, safety and wellbeing, diversity and inclusion, pay and benefits, recruitment and retention, and workforce composition.^{15, 16, 17, 18}
 - (b) Some investors showed an interest in information on worker voice and representation, workforce-related human rights due diligence and risk assessments, sourcing practices, training and development, and workforce

¹⁴ It should be noted that during the staff engagements, investors used a range of terminology and framings when discussing human capital. Some investors expressed a preference for the term 'workforce' over 'human capital'. Investors also discussed conceptualising human capital in other ways, the most common of which were 'corporate culture' and 'inequality'. Inequality was suggested as a more helpful lens through which to consider human capital-related issues due to a view that this facilitated greater connections between risks and opportunities.

¹⁵ BNP Paribas, 'ESG Global Survey 2023: Chapter 2 - Sustainable Investing Trends', BNP Paribas, 2023, <https://securities.cib.bnpparibas/global-esg-survey-2023/global-esg-survey-2023-report/#tab-data-and-reporting>

¹⁶ G Bartholomew, R Johnson, F Recanti, 'December 2023 ISSB Consultation on Agenda Priorities - Feedback summary - Users of general purpose financial reporting', IFRS Foundation, 2023, <https://www.ifrs.org/content/dam/ifrs/meetings/2023/december/issb/ap2-feedback-summary-users-of-general-purpose-financial-reporting.pdf>

¹⁷ Principles for Responsible Investment, 'U.S. Signatory Interview Briefing: Human Capital Management (HCM)', PRI US Inc., 2022, <https://www.unpri.org/download?ac=15878>

¹⁸ BNP Paribas, 'ESG Global Survey 2023: Chapter 2 - Sustainable Investing Trends', BNP Paribas, 2023, <https://securities.cib.bnpparibas/global-esg-survey-2023/global-esg-survey-2023-report/#tab-data-and-reporting>

transitions (including to address AI, automation and the transition to a lower-carbon economy).^{19, 20, 21}

- (c) A few investors expressed an interest in information on the risks and opportunities related to grievance mechanisms and workforce governance. None of the literature reviewed identified these areas as priorities for investors.
31. For most topics, investors did not express different views on the sub-topics that were of interest. However, this was not the case for diversity and inclusion, where investors viewed different elements of diversity as a priority.
32. For example, in the staff engagements, many investors highlighted that when considering diversity and inclusion, they are focused on various aspects of demographic diversity (such as diversity based on gender, race or age). In contrast, research has also shown investor interest in other forms of diversity, such as cognitive diversity, rather than demographic diversity.²²
33. Even when focused only on demographic diversity, investors often had different priorities. This was often linked to the location of their investments. For example, investors investing in the US highlighted racial diversity as a focus when considering diversity and inclusion in their investments. In contrast, we heard from investors based in Africa that regional, ethnic and religious diversity are more important dimensions to consider when investing in several African countries than racial diversity.
34. Several investors raised board demographic diversity as an example of material information, while others raised it as an example of information that is relatively well-

¹⁹ Principles for Responsible Investment, 'U.S. Signatory Interview Briefing: Human Capital Management (HCM)', PRI US Inc., 2022, <https://www.unpri.org/download?ac=15878>

²⁰ G Bartholomew, R Johnson, F Recanti, 'December 2023 ISSB Consultation on Agenda Priorities - Feedback summary - Users of general purpose financial reporting', IFRS Foundation, 2023, <https://www.ifrs.org/content/dam/ifrs/meetings/2023/december/issb/ap2-feedback-summary-users-of-general-purpose-financial-reporting.pdf>

²¹ BNP Paribas, 'ESG Global Survey 2023: Chapter 2 - Sustainable Investing Trends', BNP Paribas, 2023, <https://securities.cib.bnpparibas/global-esg-survey-2023/global-esg-survey-2023-report/#tab-data-and-reporting>

²² A Edmans, T Gosling, D Jenter, 'Sustainable Investing: Evidence From The Field', SSRN, 2025, <https://ssrn.com/abstract=4963062>

reported but is not material. There were no notable patterns among the investors who expressed these opposing viewpoints, with investors of every geography, size and asset class expressing each view.

35. In the engagements with the staff, investors highlighted the role that information on topics and practices that extend beyond human capital can provide useful insights specific to human capital-related risks and opportunities. In particular, investors identified information relating to due diligence as important specifically in relation to human capital. This is because investors view due diligence as playing an important role in identifying human capital-specific risks, such as those related to poor working conditions in the value chain or to pay. For example, an investor based in the Middle East highlighted how they consider transparency around human rights due diligence to be particularly important in helping them to understand the risks entities face in relation to their use of migrant workers. These workers are both common in the region and are more likely to be subject to poor working conditions and practices such as forced labour, which can then lead to reputational harm due to consumer backlash when identified or potential regulatory action where these practices breach local laws.
36. The research also showed that there are some topics that investors anticipate will become higher priorities for their information needs in the future. These include workers' rights, demographic changes, particularly the aging workforce in some jurisdictions, and workforce transitions, specifically those relating to the transition to a lower-carbon economy and technological advances such as the use of AI and automation.²³ In a roundtable discussion, it was highlighted that the risks and opportunities that emerge from these transitions vary between companies based on how they are involved in that transition, including on the basis of the industry they belong to. For example, entities that adopt AI throughout their business may find that some roles become obsolete and so there may be a need to lay off staff. In contrast, a

²³ BNP Paribas, 'ESG Global Survey 2023: Chapter 2 - Sustainable Investing Trends', BNP Paribas, 2023, <https://securities.cib.bnpparibas/global-esg-survey-2023/global-esg-survey-2023-report/#tab-data-and-reporting>

company involved in the provision of AI may see its need for staff increase due to greater demand for its products and services.

Value chain-based variation in topics of interest

37. Investor interest in these topics was also often linked to specific parts of an entity's value chain. For example, no investors specifically mentioned training and development in the context of the supply chain workforce. Similarly, when diversity and inclusion was cited as a priority, this was usually focused on the direct operations workforce.
38. There were other topics where investors had varying views on the part of the value chain that was most relevant. Some investors indicated that they are only interested in information on grievance mechanisms and workforce-related human rights due diligence and risk assessment in relation to workers in the value chain. The same proportion stated that they are interested in this information for both workers in the value chain and workers in the direct operations as well. For working conditions and exploitation, most investors discussed this topic in relation to the supply chain workforce. However, other investors stated that forced labour and child labour were areas of interest specifically in relation to entities' direct operations.
39. The differing perspectives here appear to be driven by the context in which they invest, specifically in relation to geography and where the investee company sits in the value chain. For instance, forced labour and child labour were most commonly seen as a risk for an entity's direct operations by investors with investments in the Asia-Oceania region, and in businesses involved in manufacturing, both of which have historically been contexts with higher risks relating to working conditions and exploitation. This stood in contrast to investors focused more on investing in multinational companies based in the US or Europe, where working conditions and exploitation was primarily discussed as a source of risk in investee companies' supply chains.

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40. It should be noted that the research only found human capital issues being discussed in relation to the upstream value chain, or the supply chain. No investors (either in the engagements or through further research) identified specific human capital risks, opportunities or information needs in relation to the downstream value chain.

Geographical variation in the topics of interest

41. Investors considered human capital in general to be relevant for entity's based in all jurisdictions. However, investors interest in human capital topics varies based both on the locations in which an entity operates and the location in which the investor is based.²⁴
42. In relation to the geography an entity is based in, investor interest can vary because of cultural factors. For example, one Southeast Asian investor explained that due to the matriarchal culture in their jurisdiction, a high proportion of businesses are owned and led by women and so gender equality is a lower priority when considering entities based there. Different regulatory frameworks can also create differences in human capital-related risks and opportunities, which influence investor information needs.²⁵
²⁶ For instance, during one roundtable discussion, sick pay was cited as a particular area of interest in the US due to the lack of federal laws mandating paid sick leave.
43. Similar variation was seen for investors based in different geographies. For example, most Japanese investors emphasised an interest in information relating to opportunities, whereas Latin American investors expressed a focus on human capital in the context of risk management.
44. Some topics were identified as particular priorities for investors investing in EMDEs (including those based both inside and outside of these markets). The informal

²⁴ W Chan, 'HSBC ESG Sentiment Survey - Blurry Signals', HSBC, 2024, <https://www.business.hsbc.com/en-gb/insights/global-research/hsbc-esg-sentiment-survey-blurry-signals>

²⁵ C Wong, R Johnson, 'April 2024 ISSB Consultation on Agenda Priorities - Projects to add to the work plan (agenda paper 2)', IFRS Foundation, 2024, <https://www.ifrs.org/content/dam/ifrs/meetings/2024/april/issb/ap-2-agenda-consultation-projects-to-add-to-the-work-plan.pdf>

²⁶ B Dannhauser, M Hodge, A Koshy, N Halkjaer Pedersen, 'What data do investors need to manage human rights risks?', Principles for Responsible Investment, 2022, <https://www.unpri.org/human-rights/what-data-do-investors-need-to-manage-human-rights-risks/10856.article>

workforce,²⁷ for example, was raised as a priority area by investors investing in Africa, Southeast Asia and Latin America, particularly in relation to investments related to infrastructure and agriculture (for example, in harvesting palm oil). Investors stated that in these contexts, informal workers can often make up a significant proportion of the workforce, and that the sectors where there are the highest levels of informality can be particularly important to local economies. They also highlighted how informal employment can be linked to greater risks, for example due to an increased risk of forced labour due to the lack of oversight from both entities using these workers and state authorities. Informal workers are also not typically captured in company reporting on human capital, meaning investors cannot identify when these risks are present.

45. Another priority area for investors based in EMDEs was a focus on job creation and job quality. Information on the number of jobs created, the number of women employed, the type of jobs created, and whether jobs were occupied by local or expatriate workers, were all given as examples of areas of interest. Investors have varied reasons for an interest in this information. Some highlighted client demand, particularly in the case of development finance institutes who wanted to monitor positive social outcomes from their investments. However, investors also emphasised how this information was relevant for value creation, particularly in the context of infrastructure investments. This is due to the role that job creation and quality plays in promoting an entity's social license to operate (which can be particularly important for infrastructure projects), as high population growth and unemployment in these jurisdictions mean local communities and governments are more supportive of companies that create high quality jobs.
46. Investors highlighted a distinction between interpreting information differently based on the geography an entity is based in, and needing different information for entities based in different geographies. Investors provided examples of how they would use

²⁷ Informal employment refers to working arrangements that are, in practice or by law, not subject to national labour legislation, income taxation, or entitlement to social protection or other employment guarantees; for example, advance notice of dismissal, severance pay or paid annual or sick leave.

the same information but then evaluate that information in different ways. For example, one investor gave the example of turnover. They explained how low turnover may be perceived as a risk in Japan, because employees often remain at companies for many years, which prevents workers with new skills and expertise joining. In other jurisdictions, this would be viewed positively, as it suggests high workforce engagement. In another example, a large European asset manager stated how they ask for the same information in both developed and emerging markets but have higher expectations for action from developed markets.

Priority data points identified by investors

47. Within the research, several specific, primarily quantitative data points emerged as common information needs for investors.
48. Almost all investors identified turnover as a priority data point in the engagements with staff, reflecting interest seen in other global studies.²⁸ Investors also cited turnover as particularly important in Africa, where several jurisdictions are experiencing ‘brain drain’ where skilled workers are emigrating outside the continent. This is a concern for investors as it increases the risk that an entity will not be able to access workers with the skills and expertise necessary for it to create value.
49. The demographic and contractual composition and structure of the workforce in both the direct operations and the supply chain was regularly raised by investors as priority information. This includes data such as the number of workers in an entity’s direct operations and the estimated number of workers in the supply chain, both for the entity’s whole operations and split by operating locations; the gender split of the workforce for the whole operations and by operating location; and the number of workers on different contract types, such as direct employees, contractors, and agency workers. This was also the case for information regarding the structure and

²⁸ R Jennings, L LaViers, E Rouen, J Sandvik, ‘The Effects of Human Capital Disclosures on Professional Investors’ Assessments of Firm Risk’, SSRN, 2024, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5065997

composition of the supply chain, such as how many tiers of suppliers there are, the nature of the suppliers in each tier, and where those suppliers are based.

50. Investors acknowledged that this information was not specific to human capital or directly expressing information about human capital-related risks and opportunities. However, this information was considered vital for contextualising or validating information specifically referring to human capital-related risks and opportunities. For example, investors indicated that information on the structure and location of the supply chain provides insights into the likelihood of risks relating to forced labour, due to the prevalence of forced labour in suppliers based in certain jurisdictions.
51. Investors based in EMDEs emphasised an interest in information on entity compliance with workforce-related regulations – this was the case for investors based in Latin America, Africa and Southeast Asia. This was for a mix of reasons. Firstly, many investors felt regulations were already strong and so compliance was a good indicator of potential risks and/or opportunities. Investors also considered compliance information a more reasonable expectation for disclosure in these jurisdictions given that companies may have less mature human capital reporting practices. A few investors based in, and investing in, developed markets expressed the opposite view, stating that they felt there was an overemphasis on disclosure around compliance.

Information needs related to the form and type of human capital information

Disaggregation of human capital information

52. Investors expressed a need for human capital information to be broken down and reported for specific groups of workers, in addition to the workforce as a whole, with disaggregation by contract type and gender being mentioned the most. Other demographic dimensions, such as age and race, were also cited but less often, as was disaggregation based on role seniority and role type (such as frontline and back-office workers).

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53. Some investors cited specific data points where disaggregation is of most value. For instance, pay data was given as an example of information that is much more valuable when disaggregated by role type rather than when taken as a median for an entire entity. However, in research involving both mainstream and impact investors based in the US, 11 out of 14 participants agreed that *all* reported human capital management data should be disaggregated by race and gender, at minimum, rather than a focus on only some data points.²⁹ Given the mix of investors involved in this research, it is not clear what the rationale for this demand is. A possible further area for exploration would therefore be an assessment of how far investors' disaggregation needs go and considering these in the context of the aggregation and disaggregation requirements of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

Industry-agnostic and industry-specific information

54. The research showed that most investors wanted a mix of industry-agnostic and industry-specific information, with a few stating a preference for wholly industry-agnostic or wholly industry-specific information.^{30, 31}
55. Most commonly, investors cited information on diversity and inclusion, employee engagement, recruitment and retention, and workforce strategy as areas where disclosure should be industry-agnostic. Some investors highlighted how they may want the same information to be disclosed for all industries, but that does not mean that they will evaluate that information in the same way, with industry-specific interpretations of the same information being used as part of investment decision making.

²⁹ Principles for Responsible Investment, 'U.S. Signatory Interview Briefing: Human Capital Management (HCM)', PRI US Inc., 2022, <https://www.unpri.org/download?ac=15878>

³⁰ G Bartholomew, R Johnson, F Recanti, 'December 2023 ISSB Consultation on Agenda Priorities - Feedback summary - Users of general purpose financial reporting', IFRS Foundation, 2023, <https://www.ifrs.org/content/dam/ifrs/meetings/2023/december/issb/ap2-feedback-summary-users-of-general-purpose-financial-reporting.pdf>

³¹ Principles for Responsible Investment, 'U.S. Signatory Interview Briefing: Human Capital Management (HCM)', PRI US Inc., 2022, <https://www.unpri.org/download?ac=15878>

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56. For industry-specific disclosures, investors mentioned every Sustainable Industry Classification System (SICS)³² sector at least once when asked about priority sectors and industries for human capital in the staff engagements. Several emphasised that companies from all sectors face human capital-related risks and opportunities (although the risks and opportunities themselves may vary). This suggests that there is a wide range of sectors and industries where investors feel some form of industry-specific human capital disclosures would be necessary.
57. Investors gave a range of examples of specific information that they consider likely to be material for entities in different sectors or industries. One common example provided by investors was information on instances of forced labour in the renewable resources and alternative energy sector, particularly in relation to solar panel manufacturing. This was due to risks of forced labour being used in both the raw materials and manufacturing of solar panels. Investors highlighted how some information related to health and safety, such as the number of fatalities, was much more relevant for industries involved in manufacturing than, for example, finance companies, given the likelihood that workers in these sectors would be exposed to more dangerous working environments where fatalities are more common.
58. Some investors highlighted the role that an entity's business model, and particularly the way they use and engage with their workforce, plays in the risks and opportunities they faced. Investors from both North America and Europe emphasised how many companies in the same sector or industry might have fundamentally different workforce structures, which then shapes the risks and opportunities they are exposed to. Here, a few investors used the example of the use of contingent workers rather than directly employed workers. However, the conclusions investors drew from this were different. Some suggested this showed the need for entity-specific disclosures, while others emphasised need to consider commonalities of business models over industry when considering human capital-related risks and opportunities.

³² SASB Standards use the [Sustainable Industry Classification System](#) (SICS) to group companies based on shared sustainability risks and opportunities.

Quantitative and qualitative information

59. Most investors that responded to the staff's question on preference for quantitative versus qualitative information stated that a combination of both quantitative and qualitative information was necessary. A few stated a preference for only quantitative or only qualitative information, in equal proportions. Quantitative information was seen as important as it provides insights into entity performance in relation to human capital risks and opportunities (as it is more commonly related to outcomes). Qualitative information was also considered necessary because it provides investors with the contextual information required to interpret quantitative information. Also, it gives an insight into the likelihood of an entity's exposure to risks or opportunities due to the focus qualitative information usually has on activities or processes.
60. An example of this can be seen in investor feedback on data relating to the identification of forced labour through human rights due diligence. In a study of investors data needs involving asset owners, asset managers and data providers, investors raised concerns that 'risk prevalence' indicators can be misleading and unclear. The number or percentage of operations and suppliers considered to be exposed to significant risk for incidents of forced labour or child labour was given as an example of this sort of indicator. This is because without additional context, investors cannot understand whether a high number on this metric is a result of high-quality risk identification processes, poor practices to address these sorts of risks or business activities that result in a spike in risks (such as acquiring a new business in a location where forced labour is prevalent).³³
61. However, some investors highlighted how across the human capital reporting landscape, there was currently a disproportionate focus on qualitative information related to policies and processes compared to quantitative, outcome-focused data. One specific example was information such as whether an entity has policies relating to the UN Guiding Principles on Business and Human Rights (which would also apply to

³³ B Dannhauser, M Hodge, A Koshy, N Halkjaer Pedersen, 'What data do investors need to manage human rights risks?', Principles for Responsible Investment, 2022, <https://www.unpri.org/human-rights/what-data-do-investors-need-to-manage-human-rights-risks/10856.article>

several human rights-related human capital issues, such as fair pay, collective bargaining and forced labour), board member oversight of these policies, and staff training on these policies. These were given as examples of prevalent information that is, at best, a weak signal of whether a company is identifying and addressing risks effectively.

Linking information on human capital risks and opportunities to an entity's strategy

62. Many investors mentioned how they specifically wanted to see human capital information being explicitly linked to an entity's strategy and how an entity's human capital strategy is aligned with and supportive of the business strategy. Some also stated how there was often a failure to link data points to actual risks and opportunities. For example, one North American asset owner explained that companies often publish data on wage gaps and diversity and inclusion activities but fail to explain how that has impacted their ability to attract and retain talent.

How investors use human capital information in their investment decision-making processes

63. Investors use human capital information in investment decision-making in a range of ways, with the most common being integration into investment analysis and decision-making processes, followed by stewardship.³⁴ Investors least often mentioned using human capital information for screening, such as the exclusion of companies that do not comply with the 10 Principles of the UN Global Compact, and thematic investing, where investments focused on a particular theme related to human capital, such as the 'just transition'.³⁵ Often, the way in which an investor uses human capital information

³⁴ Principles for Responsible Investment, 'U.S. Signatory Interview Briefing: Human Capital Management (HCM)', PRI US Inc., 2022, <https://www.unpri.org/download?ac=15878>

³⁵ **Integration** involves the ongoing consideration of ESG factors within an investment analysis and decision-making process with the aim to improve risk-adjusted returns. Investment **screening** includes negative "exclusionary" screening or positive "inclusionary" screening of potential investments based on pre-established criteria. **Thematic investing** is a longer-term investment approach that relies on research exploring long-term macroeconomic, geopolitical and technological trends to identify areas of above market returns or emerging risks. **Stewardship** refers to deliberate deployment of rights and influence (beyond capital allocation) to protect and advance the interests of those clients and beneficiaries. This typically includes engagement and proxy voting.

is directly linked to their more general investment approach. Quantitative³⁶ investors had greater demand for quantitative data points that they believe are linked to alpha generation. For example, one quantitative investor highlighted how employee engagement scores and turnover data are used in their alpha model. In contrast, fundamental investors sought a combination of quantitative and qualitative information as part of the overall mix of information they consider.

64. Engagement was specifically highlighted as playing an important role in how investors use, gather and validate human capital information. Investors described how engagements were used to ‘fill in the gaps’ in the human capital information companies disclosed, as well as allowing investors to query or check information companies had disclosed, often leading to more nuanced insights. In a roundtable discussion, an investor gave the example of how questions in an engagement revealed that a higher reported number of grievances was a result of improved HR processes, rather than due to deteriorating conditions at the company.

The human capital information challenges, barriers or gaps faced by investors

Summary of the key challenges investors face

Access to human capital information

65. The most common challenge for investors in relation to human capital information is availability of information. Several investors mentioned how it was often the most useful information that was the hardest to access, for example information on employee turnover.
66. Investors indicated that information availability is not consistent and varies between topics. For example, investors stated that information on workers in the supply chain,

³⁶ **Quantitative analysis** uses mathematical and statistical analysis, algorithms and computer models to help forecast market trends and other market factors affecting financial assets prices.

particularly quantitative data, was more difficult to access than information on workers in the direct operations. Wages, retention, workforce composition and grievances were all seen as some of the topics where information was hardest to access. Some investors said there was not enough quantitative data, while others said there was insufficient qualitative information. This is possibly shaped by investors working on a mix of different topics in different jurisdictions, which impacts both the information they need and what is available.

67. Even when reporting on a topic is well-established, this is not a guarantee that reporting will provide investors with sufficient information. In a roundtable discussion, gender diversity was given as an example of one of these established topics where reporting still fails to meet investors' needs, particularly when looking at diversity beyond the board.
68. Geography is an important determinant of whether investors can access information. Even within regions, availability of data could vary significantly. For instance, one investor gave Latin America as an example of a region where in some jurisdictions human capital information is widely available and in others it is very limited.
69. A few investors mentioned how companies often did have the information investors were looking for, such as on supply chain structure and turnover, but would not disclose this publicly due to concerns this could impact the company's competitiveness.

Quality of human capital information

70. Several issues relating to data quality were identified in the research. These include information being inaccurate, out of date, or being comprised of excessive boilerplate statements that fail to provide insights into human capital-related risks and opportunities.³⁷ In one roundtable, scores from employee engagement surveys were

³⁷ C Wong, R Johnson, 'April 2024 ISSB Consultation on Agenda Priorities - Projects to add to the work plan (agenda paper 2)', IFRS Foundation, 2024, <https://www.ifrs.org/content/dam/ifrs/meetings/2024/april/issb/ap-2-agenda-consultation-projects-to-add-to-the-work-plan.pdf>

given as an example of a ‘soft’ metric that failed to provide an insight into risks and opportunities. Turnover data, disaggregated by role type, was suggested as a much better indicator of the risks and opportunities associated with workforce satisfaction.

Comparability of human capital information

71. Comparability of human capital information is a significant challenge for investors.³⁸
³⁹ This can be a result of entities using different definitions and measurements in their reporting.⁴⁰ Definitions for levels of management, what is recorded as an injury, and who is considered part of the workforce were all given as examples where the lack of standardisation makes comparison challenging. In the investor engagements, one investor also raised the example of a 50/50 split between male and female workers being reported as 50% diversity by some companies and 100% by others.
72. Comparability of human capital information over time was also identified as a challenge. Some investors mentioned how an entity’s reporting will often vary over time, with information not being reported consistently, either because it is reported some years and not others, or because the measurements and definitions change over time. Investors raised how this was particularly challenging as some data points are only valuable when they can be tracked over time, and so inconsistencies curtail the information’s usefulness. This can also be compounded when investors are looking to compare companies, as one entity may have published information for one year, while another has not.
73. Investors also stated that investing in different geographies created comparability challenges. This can be because reporting human capital information in one jurisdiction may be mandatory, while being illegal in another. This was especially the

³⁸ Principles for Responsible Investment, 'Incorporating decent work into capital allocation', Principles for Responsible Investment, 2023, <https://www.unpri.org/decent-work/incorporating-decent-work-into-capital-allocation/11206.article>

³⁹ Principles for Responsible Investment, 'U.S. Signatory Interview Briefing: Human Capital Management (HCM)', PRI US Inc., 2022, <https://www.unpri.org/download?ac=15878>

⁴⁰ C Wong, R Johnson, 'April 2024 ISSB Consultation on Agenda Priorities - Projects to add to the work plan (agenda paper 2)', IFRS Foundation, 2024, <https://www.ifrs.org/content/dam/ifrs/meetings/2024/april/issb/ap-2-agenda-consultation-projects-to-add-to-the-work-plan.pdf>

case for information related to demographic diversity. Investors also mentioned how some information may be inherently incompatible between geographies, because, for example, what is ‘diverse’ can be different in each jurisdiction. Another factor influencing comparability between jurisdictions was the fact that some issues are not recognised in some markets. A European investor group gave the example of living wages, stating that in some jurisdictions, entities see these as a ‘Western concept’ which then impacts disclosure.

Consequences of these challenges and gaps for investors

74. These challenges limit investors’ ability to identify whether and how human capital-related risks and opportunities are affecting an entity’s financial performance and/or financial condition. Several investors indicated that they have internal theses about the relationship between human capital risks and opportunities and investment risk and/or returns, but they do not have enough data, or data that is sufficiently comparable, to conduct the analysis required to prove whether these theses are correct.
75. In relation to this, it was stated that as human capital information improves in quality and availability, there is an expectation that investment returns will become a greater driver in interest in human capital information. This is because enhancements in the human capital information landscape would facilitate the research required to prove where risks and opportunities have effects on an entity’s prospects and through what channels those effects arise. As a result, many investors stated that they expect their incorporation of human capital information in investment decision making to increase when they have better access to decision-useful information.⁴¹ For example, one investor based in the UK highlighted how they were currently limited to using human capital information in relation to engagement and screening but increased disclosure would enable this information to be integrated into valuation models.

⁴¹ Principles for Responsible Investment, ‘U.S. Signatory Interview Briefing: Human Capital Management (HCM)’, PRI US Inc., 2022, <https://www.unpri.org/download?ac=15878>

76. Investors also described how their efforts to access decision-useful human capital information increased costs and had resource implications. This was often due to a need to use several sources to access sufficient information. In the engagements, investors described using on average three different types of human capital information sources (such as data providers, company reports or ESG scores). Even within these categories, investors described using many sources, with many, for example, stating they use multiple data providers to access human capital information.

Solution for challenges and gaps proposed by investors

77. Investors were very supportive of the ISSB’s work on human capital. Some highlighted the important role of the ISSB in rationalising the landscape, given the challenges with comparability and the need to use several sources to compile information. Investors based in EMDEs universally emphasised how the most important thing to address in human capital reporting in these jurisdictions was providing education to preparers on how to report and why they should report human capital information, with this being seen as critical in enabling high quality reporting.

Appendix A: Summary of findings relating to levels and drivers of investor interest in human capital-related information

Area	Finding
Topics	
Topics of interest	<p>Investors expressed a strong interest in information on human capital-related risks and opportunities.</p> <p>Many investors expressed an interest in information on risks and opportunities related to working conditions and exploitation; health, safety and wellbeing; diversity and inclusion; pay and benefits; recruitment and retention; and workforce composition.</p> <p>Some investors showed an interest in information on worker voice and representation, workforce-related human rights due diligence and risk</p>

Area	Finding
	<p>assessments, sourcing practices, training and development, and workforce transitions (including AI, automation and the transition to a low-carbon economy).</p> <p>A few investors expressed an interest in information on the risks and opportunities related to grievance mechanisms and workforce governance.</p>
Value chain variation in topics of interest	Investors' interest in information on risks and opportunities relating to different topics varies based on whether that information relates to workers in the direct operations or workers in the supply chain.
Geographical variation in topics of interest	Investor interest in human capital information varies based on the geography investors are based in and where they invest.
Priority data points	Several data points emerged as common information needs for investors. These were turnover; the demographic and contractual composition of the workforce (covering workers in both the direct operations and the supply chain); and the structure and composition of an entity's supply chain.
Form and type of human capital information	
Disaggregation	Investors expressed a need for human capital information to be broken down and reported for specific groups of workers, particularly based on contract type and gender.
Industry-specificity	Most investors want a mix of industry-agnostic and industry-specific information. Investors most often cited information on diversity and inclusion, employee engagement, recruitment and retention, and workforce strategy as areas where disclosure should be industry-agnostic.

Area	Finding
Quantitative and qualitative information	Most investors expressed a preference for a mix of qualitative and quantitative information.
Link to an entity's strategy	Many investors highlighted how they want to see an explicit link between human capital information and an entity's strategy.
Terminology	Investors have mixed views on the most appropriate terminology and framings to use when considering risks and opportunities related to human capital.