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## Sustainability Standards Advisory Forum meeting

Date	February 2025
Project	Research Projects
Topic	Biodiversity, ecosystems and ecosystem services (BEES) and Human Capital
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# Purpose of this session

## Purpose of this session

- Provide an update on the ISSB's research projects on risks and opportunities associated with Biodiversity, Ecosystems and Ecosystem Services (BEES) and Human Capital.

## Questions for SSAF members

- Do you have any questions or comments on the design and approach of the research projects?
- Do you have any comments on the findings in the four research areas for either project?

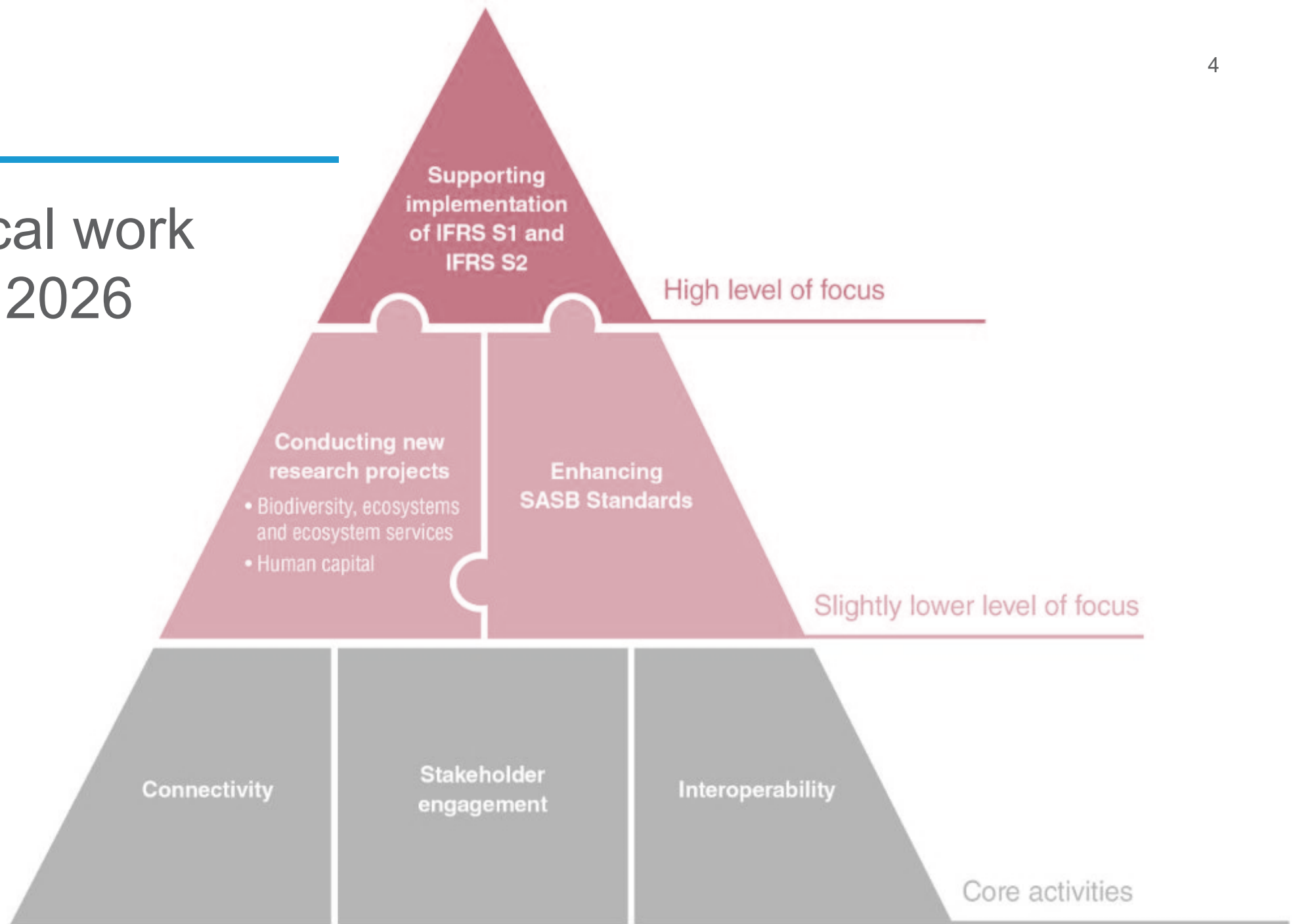
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## Agenda consultation

- The ISSB's *Request for Information* was published in May 2023 with a **120-day comment period**
- Stakeholder feedback was sought on four projects: biodiversity, ecosystem and ecosystem services (BEES), human capital, human rights and integration in reporting
- In total, the ISSB received **433 responses** from a **broad range** of stakeholders throughout **all regions**
- ISSB members and staff participated in **71 outreach events** with stakeholders (including nine outreach events with investors) from approximately **44 jurisdictions**
- From November 2023 to April 2024 the ISSB **considered the feedback** and set its priorities for its 2024–2026 work plan



# Technical work plan to 2026



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# Research projects

The ISSB is researching disclosure about risks and opportunities associated with:



## **Biodiversity, ecosystems and ecosystem services**

Might include matters related to water management, land-use management, pollution (for example, emissions into air, water and soil), resource depletion, and biodiversity risk management (for example, rehabilitation/restoration)



## **Human capital**

Relates to workers in an entity's direct operations or those in its value chain, including workforce-related human rights. Might include matters such as worker wellbeing, pay and benefits, diversity and inclusion, and working conditions in the value chain.

# Research projects—design and approach

**Current phase:** building the foundation  
(‘collecting the dots’)  
Q3 2024–Q2 2025

**Next phase:** analysing the implications  
(‘connecting the dots’)  
Q2 2025–



## Research areas for initial phase

Evidence of investor  
interest

Evidence of effects on  
an entity's prospects

Existing standards  
and frameworks

Current state of  
disclosure

Connectivity | Interoperability | Stakeholder engagement

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## Research area updates



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# Evidence of investor interest—BEES

## Research question:

‘What are the information needs of investors and how is current disclosure practice meeting or failing to meet these needs?’

## Findings:



### Biodiversity, ecosystems and ecosystem services

- Staff engaged with 300+ individuals from ~160 investment organisations. **Many investors are interested** in information about BEES-related risks and opportunities for various reasons, including risk/return assessments, compliance and more.
- Most investors are at an **early stage** of considering how to use BEES-related information in investment decisions.
- Most investors view nature as **more complex** than climate, with **no universal metric** like GHG emissions for nature.
- Nature-related risks are **localised**, making aggregation a challenge.
- Most investors focus on **specific aspects** of nature (for example, water, pollution) and specific **sectors or industries** (for example, agriculture, forestry, extractives).
- They use multiple sources of information, because **data availability** and **quality** are lacking, among other data challenges.



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# Evidence of investor interest—Human capital

## Research question:

‘What are the information needs of investors and how is current disclosure practice meeting or failing to meet these needs?’

## Findings:



### Human capital

- Investors are interested in a **range of human capital information**, both in terms of topics and the types of information they want to see.
- Information about **working conditions** and the **health, safety and wellbeing** of workers are some examples of topics of particular interest.
- Investors consider human capital risks and opportunities—and certain information—to be **relevant across sectors**, but the particular topics of interest often **vary by industry** and **jurisdiction**.
- Investors use human capital information in various ways—primarily for **integration** and **engagement**—but demand is predominantly driven by a desire to **manage risks or enhance returns**.
- Investors use a wide **range of sources** to access human capital information, and face challenges with data **availability** and **quality**, reducing **comparability**.

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# Evidence of effects on prospects—BEES

## Research question:

‘How and to what extent do BEES-related risks and opportunities affect an entity’s cash flows, its access to finance or cost of capital over the short, medium or long term?’

## (Preliminary) Findings:



### Biodiversity, ecosystems and ecosystem services

- The market is still in the **early stages** of assessing and understanding effects on an entity’s prospects.
- Some underlying subtopics, such as **water management**, are more advanced than others.
- The effects of BEES-related risks and opportunities tend to **vary by industry** and **location**.
- There is relatively more evidence of **regulation-driven transition risks**, which are expected to increase
- Evidence of effects associated with **physical risks** is relatively more limited
- **Complete findings** will be presented to the ISSB by Q2 2025.

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# Evidence of effects on prospects—Human capital

## Research question:

‘How and to what extent do human capital-related risks and opportunities affect an entity’s cash flows, its access to finance or cost of capital over the short, medium or long term?’

## Findings:



### Human capital

- 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**.
- However, other effects are obscured by lack of high-quality disclosure and resulting **market mispricing**.
- 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).
- 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.

# Existing standards and frameworks—BEES

## Research question:

‘What is the current landscape of standards and frameworks for BEES-related reporting and how does it compare to the requirements in IFRS S1 and the SASB Standards?’

## Findings:



### Biodiversity, ecosystems and ecosystem services

- Other BEES-related standards and frameworks—including those of CDSB, EFRAG, GRI and TNFD—are very similar to the requirements in IFRS S1 and SASB Standards, with variation concentrated in the areas of **strategy** and **metrics/targets**.
- Key areas of *difference* or *greater specificity* include information about:
  - an entity’s consideration of **international agreements**, such as the Global Biodiversity Framework, or related laws and regulations;
  - the **location** of assets or activities associated with BEES-related risks or opportunities;
  - any **nature-related transition plans** an entity may have;
  - an entity’s use of the ‘**mitigation hierarchy**’; and
  - an entity’s **stakeholder engagements**, including with Indigenous Peoples and local communities, in the risk identification and assessment process.

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# Existing standards and frameworks—Human capital

## Research question:

‘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?’

## (Preliminary) Findings:



### Human capital

- Most of the disclosures specified by a range of other standards and frameworks—including those of EFRAG, GRI, the U.S. SEC and others—fall into the S1 core content areas of either **strategy** or **metrics and targets**.
- Most disclosures focus on direct operations and cover such issues as **health, safety and wellbeing** and **pay and benefits**.
- Relatively fewer disclosures focus on the value chain and cover such issues as **sourcing practices** and related **working conditions**.
- Most disclosures are qualitative in nature, providing **narrative** information.
- **Complete findings** will be presented to the ISSB by Q2 2025.

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# Current state of disclosure—both projects

## Research question:

‘What is the current scope, coverage and quality of BEES- and human capital-related information in corporate reporting?’

## Approach and data sources:



**Biodiversity, ecosystems and ecosystem services**



**Human capital**

- Conduct disclosure analyses on databases that contain BEES- and human capital-related disclosures by 2,000+ companies covering a wide range of regions, sectors and market cap sizes.
- By Q2 2025, the staff will present its disclosure analysis to the ISSB, aiming to explore:
  - what BEES- and human capital-related information are entities disclosing?
  - what is the nature of the disclosures? (for example, qualitative vs. quantitative, forward-looking vs. historical, boilerplate vs. company-tailored narrative)
  - where are companies disclosing such information? (for example, in what type of report)
  - what variation in disclosure exists by region, sector or market-cap size, if any?
  - to what degree is current disclosure aligned with the requirements in IFRS S1 and SASB Standards?

# Connectivity with IASB—both projects

## Research question:

‘What information about BEES- and human capital-related matters might be presented or disclosed in financial statements when applying IFRS Accounting Standards?’

## Findings:



**Biodiversity, ecosystems and ecosystem services**



**Human capital**

- There are limited instances in which the application of IFRS Accounting Standards might result in information directly relating to BEES- or human capital-related matters being presented or disclosed in financial statements. They include:
  - requirements to present or disclose information directly relating to BEES- or human capital-related matters; and
  - requirements to consider the effects of BEES- or human capital-related matters in applying IFRS Accounting Standards to recognise and measure assets, liabilities, equity, income and expenses, which consequently might result in presentation or disclosure of information about BEES- or human capital-related matters.

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# Input from the SSAF—both projects

## Background:

In August 2024, the staff distributed a survey to the SSAF members to identify whether jurisdictions have (or plan to) put in place reporting requirements associated with BEES- or human capital-related risks and opportunities.

## Results:



**Biodiversity, ecosystems and ecosystem services**



**Human capital**

- The staff received 26 responses to the survey.
- Most responding jurisdictions have BEES- and/or human capital-related disclosure requirements in place.
- Most of those requirements are mandatory and apply to entities across all sectors and industries.
- Requirements intended for use by investors and those intended for use by a broader set of stakeholders cover similar topics but differ in terms of the particular information they require to be disclosed.
- Similar informational differences exist between jurisdictions, particularly in the context of human capital-related disclosure.



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## Summary and next steps



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## Research projects—objectives

Per the IFRS Foundation *Due Process Handbook*, research projects consider:

- the expected **benefits**, particularly with respect to the information needs of investors; and
- the likely **costs**, particularly with respect to preparers of the information.

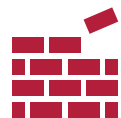
Thus, the staff's research is focussed on exploring:



What are **the information needs of investors** on nature- and human capital-related risks and opportunities?



How and to what extent do those risks and opportunities **affect an entity's cash flows** over the short, medium or long term, as well as its **access to finance and cost of capital**?



How might potential solutions build on **other disclosure standards and frameworks** or **current reporting practices** to provide investors with useful information while minimising the reporting burden on preparers?

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## Research projects—next steps

The ISSB technical staff will initiate the **next phase** of work in Q2 2025 to focus on:

- analysing the implications of the findings thus far (ie, ‘connecting the dots’);
- considering synergies with other components of the work plan, including enhancements to SASB Standards; and
- developing recommendations to the ISSB regarding the **necessity** and **feasibility** of standard-setting.

**Outcomes** could include:

- one or more projects to develop a proposal for one or more new IFRS Sustainability Disclosure Standards;
- a proposal to amend standards and/or guidance;
- a proposal to develop new guidance and/or educational materials; or
- a mix of these activities.

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