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## ISSB Meeting

Date **March 2025**

Project **Human Capital**

Topic **Cover note**

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## Purpose

1. Agenda papers 4A, 4B, 4C, 4D and 4E prepared for this meeting summarise the findings of some of the staff's research on risks and opportunities associated with human capital. The meeting is an opportunity for the staff to share those findings and for the International Sustainability Standards Board (ISSB) to provide input on areas of focus for continued research. The staff will not ask the ISSB to make any decisions in the sessions.
2. This cover note provides:
  - (a) an update on the status of the human capital research project;
  - (b) an overview of the relevant agenda papers that will be discussed at the March 2025 meeting of the ISSB; and
  - (c) a brief description of the next steps in the process.

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## Status of the project

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.
4. In July 2024, the staff provided the ISSB with an overview of the design and approach for the human capital research project.<sup>1</sup> The project is intended to collect evidence on two broad areas of consideration: first, the nature and extent of the market need for more useful disclosure of information about human capital-related risks and opportunities that could reasonably be expected to affect an entity's prospects, and second, on potential ways to address that need. The staff developed its design and approach with a particular focus on four anchoring principles to help ensure the research:
  - (a) is oriented toward providing information that is useful to investors in their decisions that relate to providing resources to an entity;
  - (b) gives due consideration to the literature 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) leverages the ISSB's core activities and its commitment to proportionality.
5. The staff also set out a plan to execute its research using a phased approach that would enable it to first build a foundation of knowledge and understanding before moving on to synthesise findings and analyse implications regarding the necessity and feasibility of potential standard-setting. The staff's research thus far has been focused on the initial, foundation-building phase with work taking place in four, clearly defined research areas guided by specific research questions, which are:

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<sup>1</sup> [Agenda Paper 2B Biodiversity, Ecosystems and Ecosystem Services and Human Capital research projects – Research design and approach](#) (July 2024).

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- (a) *evidence of investor interest*—‘What are the human capital information needs of investors and how is current disclosure practice meeting or failing to meet these needs?’;
  - (b) *evidence of effects on an entity’s prospects*—‘Whether, how and to what extent do human capital-related risks and opportunities affect an entity’s cash flows, its access to finance or its cost of capital over the short, medium or long term?’;
  - (c) *landscape of other standards and frameworks*—‘What is the current landscape of standards and frameworks for human capital-related reporting and how does it compare to the requirements in IFRS S1 and the SASB Standards?’; and
  - (d) *current state of disclosure*—‘What is the current state of company disclosure about human capital-related risks and opportunities?’
6. At this meeting, the staff will present its findings in two of these research areas — other standards and frameworks and current state of disclosure. Those findings are built on sessions held during previous ISSB meetings, including a session on preliminary findings on other human capital-related standards and frameworks, that are summarised in Appendix A.

## Overview of the papers for this meeting

7. The staff has prepared five agenda papers for this meeting related to the Human Capital research project. The first two papers (4A and 4B), which focus on human capital-related disclosure standards and frameworks, are intended to complement each other and to be read in conjunction. Similarly, papers 4C, 4D and 4E, which focus on the state of human capital-related disclosure, are also meant to be read as a package. The human capital-related papers prepared for this meeting are:
- (a) Agenda Paper 4A *Background on other human capital-related disclosure standards and frameworks*, which provides background information on the disclosure standards and frameworks that the staff has evaluated to inform the

ISSB’s research project on risks and opportunities related to human capital. It briefly describes the key characteristics of each standard or framework, identifies common disclosure elements and, where available, provides information about their current use in the market.

- (b) Agenda Paper 4B *Comparison of other standards and frameworks to IFRS S1 and the SASB Standards*, which summarises the staff’s comparison of human capital-related disclosure standards and frameworks to IFRS S1 and the SASB Standards. The paper presents an assessment of the areas of similarity, difference or of greater specificity, in addition to a preliminary evaluation of the possible decision-usefulness of the disclosed information to primary users.
- (c) Agenda Paper 4C *Current state of disclosure —background and methodology*, which provides background information on the two databases of disclosures that the staff evaluated to inform the ISSB’s research project on risks and opportunities related to biodiversity, ecosystems and ecosystem services (BEES) and human capital. It describes the key characteristics of each database, the methodology adopted to develop the disclosure database and potential limitations of the analysis and related findings.
- (d) Agenda Paper 4D *Current state of disclosure of human capital-related information*, which aims to establish a baseline of shared knowledge of current practice of entity disclosures of human capital-related information and presents a preliminary assessment of the degree to which current disclosures align with the requirements of IFRS S1 and which human capital-related topics appear to be sector-based or universally applicable.
- (e) Agenda Paper 4E *Current state of disclosure of human capital related information—sector findings*, which aims to present and compare sector findings on current state of human capital-related disclosure from the ‘available reporters’ database and those from the ‘SASB reporters’ database.

## **Next steps**

8. Based on feedback from the ISSB, the staff will aim to transition to the next phase of work — synthesising findings and analysing implications for standard-setting — during the first half of 2025.

## Appendix A: Summary of previous ISSB meetings regarding human capital-related research

Date	Meeting
April 2024	<p>The ISSB added the human capital research project to its work plan.</p> <p><a href="#">AP2 Projects to add to the work plan</a></p>
July 2024	<p>Staff provided the ISSB with an overview of the design and approach for the human capital research project.</p> <p><a href="#">AP2B Biodiversity, Ecosystems and Ecosystem Services and Human Capital research projects – Research design and approach</a></p>
September 2024	<p>The vice-chair of the ISSB Investor Advisory Group presented an investor view on the ISSB’s work plan, including the human capital project.</p> <p><a href="#">ISSB meeting video</a></p> <p>Staff presented an overview of the content in the SASB Standards that is applicable to risks and opportunities associated with human capital. <a href="#">AP3A and AP4A BEES and Human Capital-related risks and opportunities in the SASB Standards</a></p>
October 2024	<p>The ISSB discussed feedback from a survey on jurisdictional requirements related to human capital and how that feedback might inform the research, including assessments of existing standards and the current state of disclosure.</p> <p><a href="#">AP3 and AP4 Overview—Jurisdictional survey on Biodiversity, Ecosystems and Ecosystem Services and Human Capital</a></p>
November 2024	<p>The staff presented some of its preliminary findings in the research area of other disclosure standards and frameworks.</p> <p><a href="#">AP4 Cover note</a></p> <p><a href="#">AP4A Preliminary assessment of existing disclosure standards and frameworks</a></p>

Date	Meeting
December 2024	<p>The staff presented some of its preliminary findings in two of the research areas — evidence of investor interest and evidence of effects on an entity’s prospects — and sought ISSB feedback on the remaining research.</p> <p><a href="#"><u>AP4 Cover note</u></a></p> <p><a href="#"><u>AP4A Preliminary assessment of evidence of investor interest</u></a></p> <p><a href="#"><u>AP4B Preliminary assessment of evidence of effects on an entity’s prospects</u></a></p>
January 2025	<p>The staff presented an overview of how information about human capital-related matters might be presented or disclosed in financial statements when applying IFRS Accounting Standards.</p> <p><a href="#"><u>AP3A and AP4 IFRS Accounting Standards—Presentation or disclosure on BEES- and Human Capital-related matters</u></a></p>
February 2025	<p>The staff presented its complete findings in two of the research areas — evidence of investor interest and evidence of effects on an entity’s prospects.</p> <p><a href="#"><u>AP4 Cover note</u></a></p> <p><a href="#"><u>AP4A Approach to research on evidence of investor interest in human capital-related risks and opportunities</u></a></p> <p><a href="#"><u>AP4B Analysis of evidence of investor interest in human capital-related information</u></a></p> <p><a href="#"><u>AP4C Evidence of effects on an entity’s prospects</u></a></p>