Staff paper

Agenda reference: 2

ISSB Meeting

Date	**April 2024**
Project	**ISSB Consultation on Agenda Priorities**
Topic	**Projects to add to the work plan**
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Objective

1. At its November 2023 and December 2023 meetings, the International Sustainability Standards Board (ISSB) discussed feedback from respondents to the Request for Information *Consultation on Agenda Priorities* (Request for Information) and other sources, including feedback on proposed research projects that could be added to the ISSB's work plan.[1]

2. This paper provides the staff's analysis of those proposed projects based on that feedback and the criteria agreed by the ISSB at its February 2024 meeting for assessing new projects to be added to the work plan[2] and provides the staff's recommendations on projects to be added to the ISSB's work plan.

3. At this meeting, the ISSB will be asked to vote on the projects it will add to its next two-year work plan.

[1] See Agenda Paper 2C: Feedback summary—Priority of proposed projects (November 2023), Agenda Paper 2D: Feedback summary—Proposed projects on sustainability-related risks and opportunities (November 2023), and paragraphs 42–78 of Agenda Paper 2: Feedback summary—Users of general purpose financial reporting (December 2023).

[2] See Agenda Paper 2: Criteria for assessing the priority of new research and standard-setting projects to be added to the work plan (February 2024).

Summary of staff recommendations

4. The staff recommends that the ISSB:

   (a) add to its work plan a research project on information about risks and opportunities associated with biodiversity, ecosystems and ecosystem services (BEES) that could reasonably be expected to affect an entity's prospects. We also recommend that the ISSB consider, as part of its initial work on such a project:

      (i) whether and how the information needs of investors, ie primary users,[3] might be effectively addressed by building on relevant components of:

         (1) the disclosure topics and metrics in the Sustainability Accounting Standards Board (SASB) Standards;

         (2) the Climate Disclosure Standards Board (CDSB) Framework application guidance for water- and biodiversity-related disclosures; and

         (3) the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD);

      (ii) how such a project might enhance the interoperability of the ISSB's global baseline of sustainability-related financial disclosure with:

         (1) the Global Reporting Initiative's (GRI) 101: *Biodiversity 2024* standard;[4] and

[3] As in the IFRS Foundation *Conceptual Framework for Financial Reporting*, the terms 'primary users' and 'users' refer to those existing and potential investors, lenders and other creditors who must rely on general purpose financial reports for much of the financial information they need. In this paper the terms 'investors' and 'users' are used interchangeably.

[4] The staff recommends consideration of GRI 101 as a starting point for potential research on the interoperability of BEES-related disclosures, but also acknowledges that such research is likely to consider the disclosure requirements in other GRI standards, to the extent they are relevant to the common information needs of investors, including, but not limited to, the requirements of GRI 303*: Water and Effluents 2018*, GRI 305*: Emissions 2016* and GRI 306: *Waste 2020*.

(2) the reporting requirements in the European Sustainability Reporting Standard (ESRS) E4 *Biodiversity and Ecosystems*.[5]

(b) add to its work plan a research project on information about risks and opportunities associated with human capital that could be reasonably expected to affect an entity's prospects, which would aim to:

(i) investigate further whether and how the information needs of investors might be effectively addressed by building on relevant components of other standards and frameworks frequently raised by respondents;

(ii) address risks and opportunities associated with an entity's own workforce and with workers in the entity's value chain (including, where relevant, some aspects of human rights);

(iii) consider opportunities to pursue interoperability, particularly with the GRI, including in its ongoing work to revise its labour-related topic standards, and the EFRAG; and

(iv) assess the utility of the SASB Standards (and related SASB Human Capital research project) as a possible starting point for addressing the matter through both industry-based and thematic approaches.

(c) not add to its work plan projects on:

(i) information about risks and opportunities associated with human rights;[6]

(ii) integration in reporting; or

[5] The staff recommends consideration of ESRS E4 as a starting point for potential research on the interoperability of BEES-related disclosures, but also acknowledges that such research is likely to consider the disclosure requirements in other ESRS standards, to the extent they are relevant to the common information needs of investors, including the requirements of ESRS E2 *Pollution*, ESRS E3 *Water and marine resources*, and ESRS E5 *Resource use and circular economy*.

[6] Acknowledging that some risks and opportunities associated with human rights—specifically those that relate to an entity's own workforce and to workers in its value chain—fall within the scope of the project on risks and opportunities associated with human capital, which the staff has recommended adding to the work plan.

(iii) additional topics raised by respondents to the Request for Information, as described in paragraph 88(i) and Appendix B to this paper.

Structure of the paper

5. This paper is structured as follows:

   (a) Background (paragraphs 6–12);

   (b) Approach to assessing proposed projects (paragraphs 13–14);

   (c) Staff analysis of proposed projects:

      (i) BEES (paragraphs 15–33);

      (ii) Human capital (paragraphs 34–48);

      (iii) Human rights (paragraphs 49–66);

      (iv) Integration in reporting (paragraphs 67–83);

   (d) Staff recommendations and rationale (paragraphs 84–89);

   (e) Next steps (paragraphs 90–92);

   (f) Questions for the ISSB (paragraph 93);

   (g) Appendix A—Preliminary description of recommended projects; and

   (h) Appendix B—Other proposed projects.

Background

6. In May 2023, the ISSB published a Request for Information as part of its first agenda consultation, aimed at seeking feedback on the ISSB's priorities for its next two-year

work plan. The public comment period for the Request for Information closed in September 2023.

7. The Request for Information sought stakeholder feedback on:

(a) the strategic direction and balance of the ISSB's activities;

(b) the appropriateness of proposed criteria for assessing which sustainability-related matters (including topics, industries and activities) to prioritise and add to the ISSB's work plan; and

(c) a proposed list of new research and standard-setting projects that could be added to the ISSB's work plan.

8. At its March 2024 meeting, the ISSB tentatively decided on the mix of activities and the relative level of focus on those activities for the two-year period covered by the ISSB's next work plan.[7] At that meeting, the ISSB decided to place a high level of focus on supporting the implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* and to place a slightly lower level of focus on enhancing the SASB Standards and on beginning new research and standard-setting projects. Additionally, the ISSB decided to reserve some capacity to allow flexibility for needs that might arise. Those decisions have informed the staff's estimation of the ISSB's capacity to accommodate new projects in its work plan, as reflected in the recommendations set out in this paper.

9. At its February 2024 meeting, the ISSB tentatively decided upon the criteria it would use to assess the priority of proposed projects that could be added to its work plan.[8] Those criteria were used to guide the staff's analysis in this paper.

[7] See Agenda Paper 2: Strategic direction and balance of the ISSB's activities (March 2024).

[8] See Agenda Paper 2: Criteria for assessing the priority of new research and standard-setting projects to be added to the work plan (February 2024).

10. Finally, the Request for Information sought feedback on four proposed projects, which were informed by significant evidence-based research and extensive consultation with stakeholders (see paragraphs 29–38 of the Request for Information). Those four projects were:

    (a) three research projects on information about sustainability-related risks and opportunities associated with the topics of:

        (i) BEES;

        (ii) human capital; and

        (iii) human rights; and

    (b) one research project on integration in reporting to explore how to integrate information in financial reporting beyond the requirements related to connected information in IFRS S1 and IFRS S2.

11. A research project added to the ISSB's work plan would explore the feasibility and necessity of initiating future standard-setting work, with a primary focus on the common information needs of investors while also taking into account the costs of preparing such information. This preliminary step, highlighted in the Request for Information, does not immediately instigate standard-setting work but rather initiates research to determine whether a standard-setting project is necessary and feasible. The staff notes that depending on the particular project the research phase can be short.

12. At its November 2023 and December 2023 meetings, the ISSB discussed the feedback to its Request for Information, including feedback on the three proposed projects on sustainability-related risks and opportunities. At a joint meeting in January 2024, the ISSB and the IASB discussed the feedback to its Request for Information on the project on integration in reporting, as well as feedback on the concept of connectivity. No decisions were made at these meetings.

Approach to assessing proposed projects

13. As described in paragraph 11, the ISSB evaluates the merits of adding a potential project to the work plan primarily on the basis of the common information needs of investors while also taking into account the costs of preparing such information. To support that evaluation, the staff has assessed the four proposed projects using the criteria set out by the ISSB at its February 2024 meeting.

14. The criteria provide a framework of factors to consider when assessing potential projects. The criteria cannot be used mechanistically to determine whether an individual project should be included in the ISSB's work plan. For example, the fact that a proposed project meets a majority of the criteria does not guarantee its inclusion in the work plan. The criteria are applied to a proposed project in combination with one another. Determining the priority of proposed projects that could be added to the work plan requires judgement and the relative importance of an individual criterion will vary depending on the circumstances surrounding the proposed project.

Staff analysis of proposed projects

BEES

Criteria assessment

Criterion 1: The importance of the matter to investors

15. Feedback from respondents indicates that there is significant and growing interest among investors for improved disclosure about risks and opportunities related to BEES that could reasonably be expected to affect an entity's prospects. Many of the investors who responded to the Request for Information and indicated their priorities for new research projects rated the potential research project on BEES as a priority for the ISSB's next two-year work plan.

16. As investors increasingly incorporate BEES-related considerations into their investment processes and decisions, they have identified a need for more consistent, comparable and verifiable information about entities' exposure to investor-focused BEES-related risks and opportunities, as well as how those entities are responding. Investors who responded to the Request for Information stated that the historical lack of a globally recognised and widely implemented framework for such disclosures is one of the key reasons for the low quality and availability of BEES-related information.

17. Although investors are increasingly interested in information about BEES-related risks and opportunities, they also acknowledge that BEES is a relatively nascent area of focus for measurement, management and disclosure. As a result, market understanding of the direct and indirect links between an entity's prospects and its BEES-related impacts and dependencies is less well developed than that of other sustainability topics such as climate. Furthermore, investors acknowledge that some of the BEES-related risks and opportunities they face are systemic, portfolio-level considerations that may not influence their decisions related to providing resources to a particular entity.

18. Finally, investors consider BEES and climate change to be closely interrelated, and have the view that BEES-related information may be necessary to develop a comprehensive understanding of the implications of climate-related risks and opportunities on an entity's prospects.

Criterion 2: Whether there are any deficiencies in the way companies disclose information on the matter

19. Feedback from respondents, along with the staff's own research, indicates that there are significant deficiencies in the quality and availability of information about BEES-related risks and opportunities. Among the challenges most commonly cited by respondents were deficiencies in consistency, comparability and connectivity with an entity's financial statements, resulting in disclosures that are not decision-useful to investors.

20. Although entities are increasingly disclosing information to investors about their BEES-related risks and opportunities, the practice is relatively immature and, in some areas, evolving slowly due to the challenges inherent in the subject matter, including those related to the need for location-specificity and the wide range of different types of information and management expertise involved.

21. However, respondents to the Request for Information pointed to the efforts of other standard setters and framework providers—in particular, those of the TNFD, GRI and EFRAG—to address these shortcomings, and underlined the role the ISSB could play in rationalising relevant components of these efforts as part of the global baseline of sustainability-related information for capital markets.

Criterion 3: The types of companies that the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others

22. Feedback from respondents highlighted the global momentum on the topic of BEES, noting that it is likely to present risks and opportunities for entities of all sizes, across sectors and jurisdictions in light of developments such as the Kunming-Montreal Global Biodiversity Framework and emerging jurisdictional regulations and frameworks.

23. Nevertheless, respondents agreed that BEES-related risks and opportunities will differ across business models, industries and jurisdictions given the uniqueness of the interactions between an entity's operations and value chain with natural ecosystems and resources, including those on which they depend. For example, industries such as agriculture directly interact with and are highly dependent on natural ecosystems and, therefore, tend to be exposed to clear and direct BEES-related risks and opportunities. In contrast, sectors such as financial services might interact indirectly with nature but still face unique BEES-related risks and opportunities throughout their value chains or investment and lending portfolios. Additionally, the geographic location in which an entity operates can influence the relevance and magnitude of various BEES-related risks and opportunities, as the type and state of natural resources and ecosystems and the regulatory context will vary significantly from one location to another.

24. In considering these differences, the staff agrees with those respondents who highlighted the importance of proportionality. The costs to preparers and net benefits to investors of BEES-related information will necessarily vary as a function of the capabilities and preparedness of entities to measure, manage and disclose information about BEES-related risks and opportunities. Such considerations are likely to be particularly relevant in the context of industries that involve complex global supply chains and in jurisdictions focused on the development of natural resources. Based on our own research and the analyses of others, the staff observes that BEES-related information is currently disclosed at significantly higher rates by larger, more well-resourced entities.

Criterion 4: How pervasive or acute the matter is likely to be for companies

25. Feedback from respondents suggested that BEES-related risks and opportunities are considered pervasive and acute for many companies and are expected to grow more so over time. Respondents suggested that the degradation and loss of BEES is a global crisis and referenced estimates indicating that more than half of the global economy depends on nature. They also pointed to global momentum on the topic and related emerging regulations, including reporting requirements (see paragraph 22). These observations suggest that exposure to and management of BEES-related risks and opportunities are increasingly likely to influence an entity’s cost of and access to financial capital.

26. Respondents also indicated that BEES-related risks can be exacerbated by climate change (for example, water scarcity or land degradation), but that the degree of acuteness might depend on industry, ecosystem and geography-specific factors (see paragraph 23). For example, in our research, the staff has noted increasing disclosure of how companies are managing climate-related transition risks through activities such as restoration of habitat in the forestry sector, land-use management in the agriculture sector and site reclamation efforts in the mining sector.

27. Additionally, feedback indicates that the pervasiveness and acuteness of BEES-related risks and opportunities might intensify in the short term due to increasing investor

scrutiny and regulatory focus on the topic (for example, legal obligations stemming from the national implementation of the Kunming-Montreal Global Biodiversity Framework and other emerging reporting requirements).

Criterion 5: The potential project's interaction with other projects in the work plan or with the work of other relevant standard-setters

28. The proposed project on BEES-related risks and opportunities could potentially interact with the following projects in the work plan and the work of other relevant standard-setters:

   (a) supporting the implementation of IFRS S1 and IFRS S2—IFRS S1 requires disclosure of material information about all the sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects—this will include those related to BEES. Furthermore, many of the climate-related risks and opportunities disclosed by entities in accordance with IFRS S2 are likely to have BEES-related aspects.[9] Thus, research on BEES-related risks and opportunities could provide guidance to support companies in preparing disclosures in accordance with IFRS S1 and IFRS S2.

   (b) enhancing the SASB Standards—as the ISSB approaches its work to further enhance the SASB Standards, it is important to note that many of the SASB Standards include BEES-related disclosure topics and related metrics covering, for example, water and wastewater management, ecological impacts, materials sourcing, product design and lifecycle management and more.

   (c) work of other standard-setters and framework providers—in addition to encouraging the ISSB to use legacy materials such as the SASB standards and the CDSB Framework application guidance for water and biodiversity disclosures, respondents to the Request for Information strongly emphasised the importance of the ISSB considering the relevant work of other standard-

[9] See, for example, Educational Material: Nature and social aspects of climate-related risks and opportunities (December 2023).

setters and framework providers—in particular, the TNFD, GRI and EFRAG—to foster interoperability and avoid duplicative work for those preparing sustainability information for a broader set of stakeholders.

Criterion 6: The complexity and feasibility of the potential project and its solutions

29. The proposed project on BEES-related risks and opportunities would involve some complexity caused, for example, by the breadth of the project, the number of subtopics that need to be addressed together because of their linkages, and the substantial differences in BEES-related risks and opportunities across industries, ecosystems, geographies and business models. Additionally, current BEES-related disclosures are nascent, fragmented, lack comparability and have not been focused exclusively on information that is material to investors. Existing reporting frameworks, while exhibiting some commonalities in their approaches, also exhibit important differences on disclosure-specific considerations such as materiality, strategy disclosures and particular metrics.

30. Despite this complexity, the consideration of existing resources of the IFRS Foundation and from other standard-setters and framework providers, such as the TNFD and GRI, could enable the ISSB to make tangible progress more quickly. Both the TNFD and GRI have recently issued BEES-related recommendations and standards, and the TNFD has announced that more than 300 companies from more than 40 countries (including more than 100 financial institutions) have committed to begin making nature-related disclosures based on the TNFD recommendations as early as fiscal year 2024.

Criterion 7: The capacity of the ISSB and its stakeholders to make timely progress on the potential project

31. The capacity of the ISSB and its stakeholders to make timely progress on a project on BEES-related risks and opportunities would depend significantly on the project's scope.

32. The staff agrees with those respondents who said that the ISSB should approach the research on BEES-related risks and opportunities in a holistic way, considering the full range of interrelated subtopics listed in the Request for Information. Therefore, in the staff's view, this project will be large. A few respondents expressed concerns about the ISSB's capacity to sufficiently progress the research projects in the two-year time frame covered by the work plan. However, as explained in paragraphs 28 and 30, leveraging existing BEES-related resources—including those under the ISSB's purview as well as those of key third parties—could enable tangible progress by the ISSB on a timely basis. For example, IFRS S1 provides a foundational baseline for nature-related disclosure, including industry-based guidance (ie the SASB Standards) to assist with its application. Work to build on this baseline might involve efforts to more thoroughly understand investors' information needs, then to compare and identify potential synergies and gaps among existing disclosure standards and frameworks in relation to those information needs, and finally to identify where the ISSB might enhance its global baseline to improve the comparability and decision-usefulness of such information.

33. The staff also thinks that timely progress will, to some extent, be a function of the degree to which the ISSB's stakeholders support its efforts and the extent to which the ISSB is able to work with and build on the materials of others such as the TNFD and GRI. By seeking opportunities to optimise interoperability—and, in so doing, reduce duplicative effort by preparers and increase the signal-to-noise ratio for investors—the staff thinks the ISSB could achieve more effective outcomes and, at the same time, foster more constructive stakeholder engagement.

Human capital

Criteria assessment

Criterion 1: The importance of the matter to investors

34. Feedback from respondents indicates strong support among investors for the proposed project on human capital-related risks and opportunities. Most of the investors who responded to the Request for Information and indicated 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.

35. Investors of all types and across many jurisdictions are increasingly focused on human capital as a key source of value for every entity. The staff thinks this reflects the view that a well-managed workforce can lead to enhanced operational efficiency, productivity, innovation, risk management, brand value and can ultimately strengthen an entity's prospects. As investors incorporate human capital-related considerations into their investment processes and decision-making, they seek more consistent, comparable and verifiable disclosure to help them carry out risk-and-return assessments in a rapidly changing labour market, which is characterised by structural changes related to developments in telecommunications, automation, artificial intelligence, demographics, education and employee expectations. Increasing regulatory scrutiny on workforce management also presents risks to investors, including risks that may arise in the value chain of a portfolio company. Investor demand for more effective human capital disclosure is well evidenced through the formation of investor-led coalitions, such as the Human Capital Management Coalition in the United States (whose members manage more than US$9 trillion in assets) and the Workforce Disclosure Initiative in the United Kingdom (also US$9 trillion US in assets).

Criterion 2: Whether there are any deficiencies in the way companies disclose information on the matter

36. Feedback from respondents suggests there are significant deficiencies in the way entities currently disclose information on human capital-related risks and opportunities. Research indicates that a significant percentage of human capital-related disclosure consists of boilerplate statements that are not decision-useful for investors. Furthermore, when entities disclose quantitative information, they often do so using non-standardised metrics or bespoke measurement methodologies, limiting comparability.

37. In the absence of decision-useful first-party disclosure, investors frequently rely on other sources, including ESG ratings providers, employment websites and third-party data providers, who often collect information directly from entities via lengthy surveys that include information that is often not material for investors, comparable or verifiable. Respondents across jurisdictions, including investors, stated that there is a need for an internationally agreed standard (or set of standards) that meets the information needs of capital markets.

Criterion 3: The types of companies that the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others

38. Feedback from respondents indicates that human capital is important to every entity and, therefore, particular inherent risks (or opportunities) are likely to be universally relevant (for example, workforce composition, cost and turnover). However, it is also true that human capital-related risks and opportunities could manifest differently by jurisdiction, industry and business model. For example, industries that rely heavily on physical labour, such as manufacturing, construction and mining, may face increased risks related to physical health and safety; whereas knowledge-based industries such as technology, media, telecommunications and healthcare, may face higher risks related to employee burnout, stress and mental health. Respondents also noted that regulatory considerations vary by industry and jurisdiction and contribute to differences in human capital-related risks and opportunities. For example, some

jurisdictions may have stronger legal protections for workers, while others may have weaker protections, resulting in different risk profiles for entities and their investors.

39. Human capital-related risks and opportunities are likely to be relevant to entities of all sizes and may even have an outsized influence on smaller entities—for example, they may face more challenges in recruiting and retaining talent, particularly in industries or jurisdictions faced with skills shortages. The staff agrees with those respondents who suggested the ISSB's research in this area should consider proportionality, taking into account the potential costs and benefits to entities of all sizes and across a range of capabilities and circumstances.

Criterion 4: How pervasive or acute the matter is likely to be for companies

40. All entities, regardless of their size, business model, industry or jurisdiction, have employees. Therefore, human capital-related risks and opportunities could reasonably be expected to affect the prospects of any entity, making this matter highly pervasive. As described in paragraph 35, such risks may be exacerbated by various macroeconomic shifts, including those related to telecommunications, automation, artificial intelligence, demographics, education, employee expectations and more. For example, as the global economy transitions to a lower-carbon future, entities that seek (or are required) to undertake transformational decarbonisation efforts may need to choose between absorbing the reputational costs associated with large-scale layoffs or the financial costs associated with retraining and redeploying workers.

41. However, the particular human capital-related risks and opportunities that are likely to manifest—and, accordingly, the channels through which an entity's prospects may be exposed—vary considerably by business model and, in some cases, by jurisdiction. The acuteness of the matter may often depend on the degree to which an entity's business model relies on human capital as a primary source of value. For example, skilled workers recruited from highly competitive labour markets are critical to the ability of software developers and professional service providers to deliver value. In other cases, acuteness may depend on whether the entity's business model exposes its human capital to significant health and safety hazards. For example, construction and

manufacturing often involve inherently hazardous conditions for workers. Also, as described in paragraph 38, legal protections for workers vary between jurisdictions, which can lead to more acute regulatory or reputational risk depending on the circumstances.

42. Finally, increased regulatory focus in many jurisdictions (for example, Japan's Financial Services Agency, Europe's Corporate Sustainability Reporting Directive and the UK's Financial Conduct Authority) on human capital-related disclosures will impact many entities around the world.

Criterion 5: The potential project's interaction with other projects in the work plan or with the work of other relevant standard-setters

43. The proposed project on human capital-related risks and opportunities could potentially interact with the following projects in the work plan and work of other relevant standard-setters:

(a) supporting the implementation of IFRS S1 and IFRS S2—IFRS S1 requires disclosure of material information about all the sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects—these will include those related to human capital. Furthermore, some of the climate-related risks and opportunities disclosed by entities in accordance with IFRS S2 are likely to have human capital-related aspects (for example, risks and opportunities related to the 'just transition' to a lower-carbon economy).[10] Thus, research on human capital-related risks and opportunities could provide guidance to support companies in preparing disclosures in accordance with IFRS S1 and IFRS S2.

(b) enhancing the SASB Standards—as the ISSB approaches its work to further enhance the SASB Standards, it is important to note that many of the SASB Standards include human capital-related disclosure topics and related metrics

[10] See footnote 9.

covering, for example, employee health and safety, employee engagement, diversity and inclusion, labour practices and more.

(c) work of other relevant standard-setters—in addition to encouraging the ISSB to use legacy materials such as the SASB Standards, Integrated Reporting Framework and CDSB Framework, respondents to the Request for Information strongly emphasised the importance for the ISSB to consider other standard-setters and frameworks providers that are working on human capital—in particular, GRI, EFRAG, the International Labour Organization (ILO) and the US Securities and Exchange Commission—to foster interoperability and avoid duplicative work. The ISSB may also wish to consider opportunities for connectivity between any future work on human capital-related risks and opportunities and the possible future work of the IASB on the Intangible Assets project in its research pipeline.

(d) proposed project on human rights—there are inherent linkages between human capital and human rights and there are likely to be benefits in considering the two topics together.

Criterion 6: The complexity and feasibility of the potential project and its solutions

44. A project on risks and opportunities related to human capital would be complex, given the range of different ways in which organisations recruit, retain and deploy their workforces, the variation in norms between different jurisdictions, and the challenges inherent in measuring intangible sources of value or in identifying appropriate indicators that can be more directly measured. However, feedback from respondents suggests that solutions are likely to be feasible, particularly given the maturity of existing voluntary standards and frameworks for human capital disclosure—including the ISSB’s own materials, such as the Integrated Reporting Framework, SASB Standards (and related SASB Human Capital research project) and CDSB Framework. Respondents also pointed to the work of investor-led groups, such as the Human Capital Management Coalition and the Workforce Disclosure Initiative, as possible inputs to consider in the ISSB’s research.

45. Some respondents, noting the overlap between the subject matter covered in the proposed projects, suggested that the ISSB combine the topics of human capital and human rights into a single research project on ‘social’ risks and opportunities. However, the staff views each of these matters sufficiently complex in its own right and thinks combining the two would significantly increase the complexity of the project and decrease the feasibility of solutions. The staff also thinks that broadening the scope of the project to ‘social’ matters could encompass more than considerations of human capital and human rights alone, further increasing complexity. Nevertheless, the staff’s recommended approach would address the overlap with human rights—where those rights pertain to an entity’s own workforce or to workers in its value chain—as described in paragraph 88(e).

46. In the staff’s view, it is important to note that all of the ISSB’s future research and standard-setting work will in some way build on the general requirements set out in IFRS S1. Therefore, in considering potential solutions to meet investor information needs, the SASB Standards and their associated research project on human capital could serve as a useful starting point for considering both industry-based (‘bottom up’) and thematic (‘top-down’) approaches to building on the requirements in IFRS S1—both of which are likely to be valuable for the reasons described in paragraph 38.

Criterion 7: The capacity of the ISSB and its stakeholders to make timely progress on the potential project

47. The capacity of the ISSB and its stakeholders to make timely progress on a project on human capital would depend significantly on the project’s scope. Although the staff does not recommend broadening the scope of the proposed project—for example, to encompass all ‘social’ risks and opportunities—we agree with those respondents who said that the ISSB should approach the research on human capital-related risks and opportunities in a holistic way, considering the full range of interrelated subtopics listed in the Request for Information. Therefore, in the staff’s view, this project is likely to be large.

48. A few respondents expressed concerns about the ISSB's capacity to progress the research projects in the two-year time frame covered by the work plan. However, as explained in paragraphs 43–44, leveraging existing resources—including those under the ISSB's purview as well as those of key third parties—could enable tangible timely progress by the ISSB. For example, respondents suggested the ISSB pursue interoperability with other third-party materials, including the standards of GRI and EFRAG, to understand any synergies that may help minimise duplicative work for preparers and raise the signal-to-noise ratio for investors. GRI, for example, is undertaking an ongoing project to update its labour-related topic standards, which could provide an opportunity to coordinate the ISSB's investor-focused work on human capital with reporting efforts already in wide use by preparers to meet the information needs of a broader set of stakeholders. The staff thinks such efforts to optimise interoperability will help foster more constructive stakeholder engagement, thus further accelerating progress.

Human rights

Criteria assessment

Criterion 1: The importance of the matter to investors

49. Feedback from respondents indicates broad support among investors for the proposed project on human rights-related risks and opportunities. Many of the investors who responded to the Request for Information and indicated their priorities for new research projects rated the proposed research project on human rights as a priority for the ISSB's next two-year work plan.

50. Investors are increasingly attuned to the risks associated with human rights that can affect portfolio companies, including through their value chains, with significant potential for reputational harm, financial loss, operational disruption and legal liabilities. As investors incorporate human rights-related considerations into their investment processes and decision-making, they seek more consistent, comparable

and verifiable information to help them assess an entity's prospects over the short, medium and long term.

51. In some cases, investors seek human rights (and other sustainability-related) information from portfolio companies to fulfil their own responsibilities and reporting obligations, including those related to the United Nation's (UN) Guiding Principles on Business and Human Rights and the Organisation for Economic Co-operation and Development (OECD)'s Guidelines for Multinational Enterprises. Investor interest in human rights and in more effective disclosure on the matter is demonstrated by the formation of Advance, a human rights-focused stewardship program led by the UN Principles for Responsible Investment, with members managing more than US$30 trillion in assets, and the Investor Alliance for Human Rights, whose members manage more than US$12 trillion in assets.

Criterion 2: Whether there are any deficiencies in the way companies disclose information on the matter

52. Feedback from respondents indicates there are significant deficiencies in the way entities disclose information about human rights-related risks and opportunities, including a lack of comparability and few clear links to an entity's prospects. Although investors have noted that widely used guidelines on human rights due diligence provide them with a reasonably sufficient, holistic view of key aspects such as policies, due diligence processes and access to remedy, more specific information about subtopics—for example, modern slavery, child labour, community rights and others—is less commonly and consistently disclosed. When it comes to human rights-related risks and opportunities, there are mixed views among investors on whether information about processes or outcomes is more decision-useful.

53. Investors have also suggested that current disclosure practices tend to focus primarily on an entity's own operations and thus there are more significant deficiencies in disclosure about human rights-related risks and opportunities that arise in an entity's value chain or that are inherent to its business model.

Criterion 3: The types of companies that the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others

54. Feedback from respondents was mixed regarding whether human rights-related risks and opportunities are more prevalent in certain jurisdictions or industries, or whether the same risks would apply to all entities. As some respondents pointed out, the cultural, regional or industrial context varies from jurisdiction to jurisdiction and this context can create variations in human rights norms and practices around the world—which could have implications for entities domiciled in particular jurisdictions or for those entities whose operations span multiple jurisdictions. (See paragraph 58 for a discussion of regulatory considerations.)

55. Meanwhile, although human rights risks and opportunities have the potential to affect any entity's prospects, those effects may be differentiated among business models and associated activities. In the wake of the Covid-19 pandemic, a growing number of investors have focused on human rights in supply chains as a source of business resilience, and a few have suggested that the matter is likely to be more prevalent for companies that operate within long or complex value chains. However, human rights-related risks and opportunities associated with affected communities may also be prevalent for entities whose operations involve large-scale developments and infrastructure, such as those in extractives industries. Meanwhile, entities that provide products and services to consumers and end-users, such as media companies and consumer products manufacturers, may also face human rights risks associated with those downstream stakeholders that could affect an entity's prospects. And some investors have begun to focus on human rights risks that may be inherent to particular business models—for example those associated with low-cost providers or the 'gig economy'.

56. In the staff's view, each of these channels of potential risk is likely to imply different exposures, financial implications and levers of influence for companies that may be the subject of decision-useful information to investors. However, the staff also notes areas of commonality among all companies, such as the processes and practices associated with human rights due diligence.

Criterion 4: How pervasive or acute the matter is likely to be for companies

57. Feedback from respondents indicates that human rights risks and opportunities are pervasive for many entities, particularly those subject to particular jurisdictional laws and regulations, and are expected to become increasingly acute for many entities based on the evolution of practice in response to those laws and regulations as well as international norms.

58. A growing number of jurisdictions have put in place new human rights-related laws and regulations, or have strengthened existing laws and regulations, exposing entities to heightened compliance, legal and reputational risk. Feedback from respondents highlighted some developments, including existing legislation and regulation in Australia, Canada, the European Union, the United States and other jurisdictions, as well as existing guidelines and proposed legislation in Japan, South Korea and others. As a result, human rights-related risks and opportunities are likely to be pervasive for a large number of entities in many jurisdictions.

59. Finally, the acuteness of such risks and opportunities has the potential to increase as practice evolves in response to laws and regulations—such as those targeting modern slavery in supply chains—as well as in accordance with widely embraced international norms, such as the UN Guiding Principles on Business and Human Rights. Increasingly, such norms encourage a consideration of the ‘salience’ of human rights-related risks through an impact lens rather than from a traditional, compliance-focused risk management perspective, which in many cases could compel entities to prioritise the prevention or mitigation of such impacts over simply avoiding the risk.

Criterion 5: The potential project’s interaction with other projects in the work plan or with the work of other relevant standard-setters

60. The proposed project on human rights-related risks and opportunities could potentially interact with the following projects in the work plan and work of other relevant standard-setters:

(a) supporting the implementation of IFRS S1 and IFRS S2—IFRS S1 requires disclosure of material information about all the sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects—these will include those related to human rights. Thus, research on information about human rights-related risks and opportunities could provide guidance to support companies in preparing disclosures in accordance with IFRS S1.

(b) enhancing the SASB Standards—as the ISSB approaches its work to further enhance the SASB Standards, it is important to note that many of the SASB Standards include human rights-related disclosure topics and related metrics covering, for example, human rights and community relations, product quality and safety, supply chain management and more.

(c) proposed project on human capital-related risks and opportunities—there are inherent linkages between human capital and human rights and there are likely to be benefits in considering the two topics together.

(d) work of other relevant standard-setters—in addition to encouraging the ISSB to use legacy materials such as the SASB Standards, Integrated Reporting Framework and CDSB Framework, respondents to the Request for Information strongly emphasised the importance for the ISSB to consider other standard-setters and frameworks providers that are working on human rights—in particular, GRI and EFRAG—to foster interoperability and avoid duplicative work.

Criterion 6: The complexity and feasibility of the potential project and its solutions

61. Feedback from respondents suggests that the proposed project on human rights-related risks and opportunities would involve a significant degree of complexity. The reasons for this complexity are many and varied, including both conceptual and practical challenges.

62. For example, complexity is likely to result from significant jurisdictional differences—including cultural differences—in how human rights are perceived, regulated and enforced (see paragraphs 54 and 58). Additionally, many risks and opportunities related to human rights are likely to arise outside an entity's direct control, which may introduce additional complexity. For example, while it is reasonable to rely on estimation for value chain matters such as Scope 3 greenhouse gas emissions, assessing human rights-related risks to enable investor-focused disclosure could require more complex due diligence in multi-tier supply chains and among downstream consumers and end users. Furthermore, because small and medium-sized entities account for most of the world's employment, implementing such efforts could place a disproportionate burden on entities and jurisdictions least prepared to bear the costs. Thus, the ISSB would need to carefully consider the feasibility of solutions that make use of appropriate proportionality mechanisms.

63. Although some respondents suggested that the ISSB should combine the topics of human capital and human rights into a single project on social risks and opportunities, it is the staff's view that such an approach would significantly increase the complexity of the project.[11] Although the topics are obviously related conceptually at a macro level, the way in which they manifest as microeconomic risks (or opportunities) to an individual entity's business objectives and the potential consequences for an entity's prospects vary significantly, for example in terms of the channels of financial risk and the strategic or operational levers available to an entity to respond to the risk or opportunity.

Criterion 7: The capacity of the ISSB and its stakeholders to make timely progress on the potential project.

64. The proposed project on human rights-related risks and opportunities is likely to be time-consuming, and feedback from respondents suggests that there is concern about

[11] One of the objectives of the research project on information about risks and opportunities associated with human capital — which the staff has recommended to be added to the work plan, is to address risks and opportunities associated with an entity's own workforce and with workers in the entity's value chain (including, where relevant, some aspects of human rights).

the ISSB's ability to make timely progress on such a project within the two-year period covered by its next work plan.

65. However, a few of those respondents suggested potential solutions. For example, the staff agrees with those respondents who suggested that the ISSB's proposed project on risks and opportunities related to human capital could effectively capture a significant portion of those related to human rights—in particular, those risks and opportunities associated with an entity's own workforce and with workers in its value chain. Given that other categories of human rights-related risk and opportunity—such as those associated with local communities, consumers and end users—are often linked to particular business models, the staff thinks entities could still disclose decision-useful information in the meantime by applying IFRS S1 and using the industry-based guidance in the SASB Standards.

66. Many respondents suggested that the ISSB could accelerate progress by considering and building on existing standards and frameworks, but the staff notes that none of those cited—including the UN Guiding Principles, the OECD's Guidelines and the ESRS standards—were developed to meet the unique information needs of investors. Thus, while they may provide a useful starting point for considering relevant categories of impacts and dependencies, translating existing materials into a useful framework of risks, opportunities and associated disclosure requirements would fall to the ISSB—and, again, in the staff's view, may be more appropriately addressed through efforts to enhance the SASB Standards.

Integration in Reporting

Criteria assessment

Criterion 1: The importance of the matter to investors

67. Feedback from respondents indicates that while integration in reporting is important to many stakeholders, it is not a matter of priority for most investors in the next two years.

68. Approximately half of the respondents to the Request for Information, including approximately two-thirds of investors:[12]

(a) said that a project on integration in reporting should be a lower priority for the ISSB's next two-year work plan; or

(b) made no comment on integration in reporting and asked the ISSB to focus on other activities—such as foundational activities or sustainability-related matters—in its next two-year work plan.

69. A few investors ranked an integration in reporting project as a higher priority compared to the proposed sustainability-related matters. Respondents that ranked an integration in reporting project as a higher priority compared to the three proposed sustainability-related matters noted the importance of integration in reporting in providing a comprehensive view of an entity's value creation and in contextualising connections between sustainability-related financial information and other financial information.

70. In the staff's outreach, integration in reporting was the matter that was least often mentioned by investors compared to BEES, human capital and human rights.

Criterion 2: Whether there are any deficiencies in the way companies disclose information on the matter

71. Based on the staff's outreach conducted in developing the Request for Information, feedback suggested existing reporting practices may be insufficient in presenting a holistic view of how a company creates value, the various resources and relationships it draws on to do so and the collective consideration of the interdependencies, synergies and trade-offs inherent in a company's business model and/or strategy. That feedback also suggested a more cohesive and efficient approach to corporate reporting improves the quality of information available to investors to enable a more efficient and productive allocation of resources. IFRS S1 and IFRS S2 include requirements on

[12] See paragraph 40 of Agenda Paper 2A: Feedback summary – A project on integration in reporting (January 2024).

'connected information'. Respondents that ranked integration in reporting as a higher priority project stated that integration in reporting can enhance the quality of corporate reporting and deliver more decision-useful information to investors. In addition, some respondents stated that integration in reporting would improve consistency and comparability of information.

72. In the staff's view, the feedback suggests that the proposed project on integration in reporting is viewed as one that would bring about general enhancements and improvements to corporate reporting.

73. The staff notes that preparers currently looking to advance communication about value creation, preservation and erosion can apply the Integrated Thinking Principles and Integrated Reporting Framework. While these materials are not substitutes to a project on integration in reporting, these materials are existing resources for improving corporate reporting. In addition, the IASB's existing project on Management Commentary aims to develop a comprehensive set of requirements and guidance that would enable companies to bring together, in a single, concise and coherent narrative, information about financial, sustainability-related and other factors that are fundamental to the company's ability to create value and generate cash flows, including in the long term. The IASB plans to make decisions on the direction of the project in June 2024.

Criterion 3: The types of companies that the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others

74. Integration in reporting can ensure that an entity's approach to value creation is explicitly, efficiently and effectively communicated in a manner that is easily understood by investors. The need for such an understanding is not driven by varying external factors, such as the reliance of a company on particular resources, including human, natural or social. Hence, the staff expects that integration in reporting would affect any company that prepares both financial statements and sustainability-related financial disclosures irrespective of size, industry or jurisdiction.

75. The effects of a project on integration in reporting are likely to vary depending on current disclosure practices and requirements, which differ by jurisdiction, including practices and requirements associated with integrated reporting, management commentary and other related reporting.

76. It is important for preparers to ensure connections in information disclosed are well understood. Both IFRS S1 and IFRS S2 require information within sustainability-related financial disclosure to be connected to information in the financial statements regardless of whether the reporting entity applies IFRS Accounting Standards or other generally accepted accounting principles.

Criterion 4: How pervasive or acute the matter is likely to be for companies

77. Unlike the other proposed projects, the project on integration in reporting would not establish specific disclosures for a sustainability-related matter. Rather, integration in reporting can ensure that an entity's approach to value creation is communicated in a manner that is easily understood by investors. In the staff's view, it is only possible to fully assess how integration in reporting could facilitate provision of a comprehensive view of value creation after companies begin reporting sustainability-related financial information alongside their financial statements. Some respondents to the Request for Information argued that integration in reporting is a lower-priority project because, in their view, companies need to first develop high-quality sustainability-related financial information before that information can be integrated with other financial information in a meaningful way.

78. In addition, reporting practices for companies currently applying the Integrated Thinking Principles and the Integrated Reporting Framework continue to develop. The staff thinks that monitoring the continued development of these practices will, as an initial step, help in assessing pervasiveness and acuteness of the matter.

Criterion 5: The potential project's interaction with other projects in the work plan or with the work of other relevant standard-setters

79. The proposed project on integration in reporting could potentially interact with the following work of other relevant standard-setters:

(a) the IASB's Management Commentary Project—Feedback to the Request for Information indicated support for the ISSB to build on and incorporate concepts from the IASB's Exposure Draft *Management Commentary*. Some respondents suggested the ISSB and the IASB work together to complete the Management Commentary project. The staff acknowledges that collaboration on the Management Commentary project could take a variety of forms. In March 2024, the IASB discussed the direction for its Management Commentary project.[13] No decisions were made at that meeting.

(b) the Integrated Reporting Framework—while not a project, feedback also indicated support for building on and incorporating concepts from the Integrated Reporting Framework. The ISSB has made significant progress in facilitating connectivity between sustainability-related financial disclosures and the financial statements by including concepts from the Integrated Reporting Framework in requirements for 'connected information' in IFRS S1 and IFRS S2.

Criterion 6: The complexity and feasibility of the potential project and its solutions

80. In the staff's view, a project on integration in reporting is likely to be more complex than the proposed projects on requiring particular disclosures about sustainability-related matters because of the broad scope and objectives of such a project. The project scope and content will require much further research, refinement and additional consultation before the complexity and feasibility of the potential project and its solutions can be determined.

[13] See Agenda Paper 15 Project direction (March 2024).

81. The staff's view is corroborated by feedback to the Request for Information where respondents expressed diverse views and expectations about what a project on integration in reporting should encompass and what the intended reporting outcomes should be. Moreover, feedback suggests different understandings of how 'integration in reporting' relates to 'connectivity in reporting'.

Criterion 7: The capacity of the ISSB and its stakeholders to make timely progress on the potential project

82. The proposed project on integration in reporting is likely to be time-consuming and feedback from respondents suggests that there is concern about the ISSB's ability to make timely progress on such a project within the two-year period covered by its next work plan. A few respondents commented on the time scale of a project on integration in reporting, expressing the view that integration in reporting should be an important medium to long-term goal but not the highest priority within the two-year time frame. The reasons include:

(a) it is not feasible to complete the project within two years given the time and resources the project may require;

(b) preparers require time to implement and develop their sustainability reporting processes and systems before working to integrate their reporting;

(c) the scope and the content of the project require further clarification; and

(d) the ISSB could focus on a project that develops the concept of connectivity first, before pursuing integration in reporting as a longer-term project.

83. The staff agrees with these concerns and views. More importantly, the staff acknowledges the need to weigh the costs of implementation for preparers adopting the ISSB Standards for the first time against the immediate benefits for investors in adding a project on integration in reporting to the work plan. In addition, nearly all respondents supported the ISSB and IASB work jointly or at least in collaboration if a

project on integration in reporting is pursued. Hence, the IASB's capacity would have implications on a project on integration in reporting.

Staff recommendations and rationale

84. The staff's recommendations are set out in paragraph 4 of this paper.

85. The staff's recommendations are based primarily on the likelihood that a particular project—and the mix of projects—would enhance the ability of the ISSB's global baseline to meet the common information needs of investors, while also taking into account whether those likely benefits would outweigh the likely costs involved for preparers in preparing information related to the matter(s).

86. The criteria used to guide the staff's analysis in paragraphs 15–83 provide a framework for determining the priority of potential projects to be added to the ISSB's work plan. Assessing the proposed projects against the criteria requires judgement. The staff's recommendations are not determined by a single criterion but rather the criteria in combination with one another in the context of the strategic direction and balance determined by the ISSB at its March 2024 meeting.

87. As described in paragraph 8, the ISSB's decisions on the strategic direction and balance of its activities for the two-year period of its next work plan included placing a high level of focus on supporting the implementation of IFRS S1 and IFRS S2 and placing a slightly lower level of focus on enhancing the SASB Standards and beginning new research and standard-setting projects. Additionally, the ISSB decided to reserve capacity to allow flexibility for needs that might arise including working with the IASB. The staff's recommendations reflect those decisions, including our estimation of the ISSB's capacity to accommodate new projects in its work plan.

88. As stated in the Request for Information, the ISSB could decide to add one or two research projects in a concentrated effort to make significant progress on the selected topic(s), or to add more projects and aim to make incremental progress on all of them. The staff recommends adding only two of the four proposed projects to the work

plan—specifically, those focused on risks and opportunities associated with BEES and with human capital. The staff's rationale for these recommendations is based on an evaluation of the potential for each project to address the common information needs of investors while also considering the costs of preparing such information. That evaluation included the following considerations:

(a) in the staff's estimation, all of the proposed projects are likely to be large projects in terms of the time and resources that would be required to make timely progress in assessing the necessity and feasibility of standard-setting. Thus, it would not be possible to advance all of the projects included in the Request for Information in a timely manner.

(b) many respondents to the Request for Information, particularly investors, supported prioritising the proposed projects on risks and opportunities associated with BEES and with human capital.

(c) the proposed projects on risks and opportunities associated with BEES and with human capital provided the clearest opportunities for the ISSB to benefit from prior work, given the relative maturity of standards and frameworks focused partly or entirely on the information needs of investors—including the ISSB's own materials, such as the SASB Standards and the CDSB Framework.[14] Additionally, the recommendations of the TNFD, which consider (although not exclusively) the information needs of investors, could provide the ISSB with a 'running start' on the proposed BEES-related project.

(d) the proposed projects on risks and opportunities associated with BEES and with human capital also provided clear opportunities for the ISSB to pursue interoperability with standards focused on a broader set of stakeholders, such as those of the GRI and EFRAG, thus creating efficiencies for those entities who choose to, or are required to, prepare multi-stakeholder reporting.

[14] The ISSB was established with the explicit goal of 'build[ing] on the work of existing investor-focused reporting initiatives to become the global standard-setter for sustainability disclosures for the financial markets.' (IFRS Foundation press release, 3 November 2021).

(e) the ISSB, while not adding a standalone project on human rights-related risks and opportunities, would nevertheless be able to make meaningful progress on the topic through its work on human capital-related risks and opportunities—which the staff has recommended adding to the work plan, and enhancing the SASB Standards. This approach addresses investors' needs for information on risks and opportunities relating to an entity's own workforce and with workers in the entity's value chain that could reasonably be expected to affect the entity's prospects, a key area of deficiency as described in paragraph 53.

(f) although the project on integration in reporting may not be a greater near-term priority than work on sustainability-related topics (particularly for investors), the ISSB can continue to build on the significant accomplishments of IFRS S1 and IFRS S2 in providing connections in information between sustainability-related financial disclosures and the financial statements. Connectivity remains a foundational activity of the ISSB. The ISSB will continue to focus on connectivity in all of its activities as re-iterated in its decision on the strategic direction and balance of its activities.

(g) the Integrated Reporting Framework is currently available for companies to use and adopt. While it is not a substitute for a project on integration in reporting, companies can use this resource to drive high-quality corporate reporting. In discussing the feedback on integration in reporting in January 2024, members of both the IASB and ISSB re-iterated their support for the continued use and adoption of the Integrated Reporting Framework regardless of whether a project on integration in reporting is prioritised. The Integrated Reporting and Connectivity Council (IRCC) also met in January 2024 following the joint board meeting to provide feedback to the boards on the proposed project on integration in reporting in light of the first board discussion.[15]

[15] See Meeting Summary from the Integrated Reporting and Connectivity Council meeting (January 2024).

(h) the ISSB will continue to work to ensure that the IASB's and ISSB's respective requirements are compatible and avoid potential inconsistencies and conflicts, thereby facilitating the delivery of a coherent and comprehensive system of general purpose financial reporting that includes sustainability-related financial information and financial statements.

(i) other potential projects were suggested by respondents and considered by the staff (see Appendix B to this paper), but none was frequently cited and there was broad support for the projects proposed in the Request for Information. In addition, the staff notes that elements of some of these other potential projects are considered in the recommended projects.

89. The staff emphasises that human rights-related risks and opportunities and integration in reporting—as well as many of the projects suggested by respondents—remain important matters, and our recommendations are not intended to suggest otherwise. Rather, reflecting the capacity of both the ISSB and its stakeholders, it is necessary for the ISSB to prioritise its activities to facilitate effective delivery of its work. We recommend that the ISSB continue to closely monitor these areas and consider including these projects in a future agenda consultation when it would be appropriate to reassess capabilities, strategic objectives and the evolving needs of global capital markets.

Next steps

90. The staff's recommendations are summarised in paragraph 4 and revised preliminary descriptions for the recommended projects are included in Appendix A to this paper. The staff emphasises that these are preliminary project descriptions. The staff is not seeking any ISSB decisions on these project descriptions, including decisions about the scope and activities of the projects. If the ISSB decides to add these recommended projects to its work plan, the staff will present more detailed project plans in a future meeting and seek decisions, as appropriate, from the ISSB.

91. If the ISSB agrees with the staff recommendations in this agenda paper, it would conclude decision making for its next two-year work plan.

92. The final output of the consultation on agenda priorities will be a feedback statement summarising the feedback to the Request for Information, the ISSB's response to the feedback and the final work plan. The staff expects publication of the feedback statement by mid-2024.

Questions for the ISSB

93. The staff presents the following questions for the ISSB.

Questions for the ISSB
1. Does the ISSB have any comments or clarifying questions on the matters discussed in this paper? 2. Does the ISSB agree with the staff recommendations to add to its work plan research projects on information about risks and opportunities associated with biodiversity, ecosystems and ecosystem services (BEES) and with human capital, as outlined in paragraphs 4(a) and 4(b)? 3. Does the ISSB agree with the staff recommendations to not add any other research projects to the ISSB's next two-year work plan as outlined in paragraph 4(c)?

Appendix A—Preliminary description of recommended projects

A1. This appendix includes preliminary descriptions for each of the two research projects as recommended by the staff. Respondents to the Request for Information provided useful feedback regarding the scope and the activities of these research projects. The staff revised the potential project descriptions included in the Request for Information to incorporate that feedback.

Risks and opportunities associated with biodiversity, ecosystems and ecosystem services (BEES)

A2. The objectives of the research project on BEES-related risks and opportunities could include:

(a) the development of a more robust understanding of the BEES-related information needs of investors, including any differences between different investment strategies, asset classes, investment horizons or other characteristics that might influence the consideration of sustainability-related disclosures;

(b) the identification and potential classification of BEES-related risks and opportunities, of their potential implications for entities' prospects and the options available to entities to respond to their exposures, and the development of an understanding of the industry- and geographic specificity of those risks and opportunities;

(c) the assessment of existing practices, tools and metrics used to measure, manage and disclose material information about BEES-related risks and opportunities and the identification of those that can effectively support the ISSB's work to respond to the common information needs of investors; and

(d) an analysis of alternatives to the project's name, such as 'Nature-related risks and opportunities,' to enhance clarity and more accurately represent the project's scope while ensuring alignment with the project's goals.

A3. In undertaking the research, the ISSB could consider:

(a) as a starting point, existing ISSB resources and the work of other relevant standard-setters and framework providers while maintaining an investor-focused perspective. For example, in the first stages of the research, the ISSB could consider:

(i) whether and to what extent the general requirements set out in IFRS S1 are sufficient to support effective disclosure of BEES-related financial information;

(ii) whether and how the general requirements in IFRS S1 might be usefully supplemented with additional requirements or guidance derived from the SASB Standards, the CDSB Framework application guidance for water- and biodiversity-related disclosures and the recommendations of the TNFD; and

(iii) how such a project might enhance the interoperability of the ISSB's global baseline of sustainability-related financial disclosure, particularly with the GRI and ESRS standards.

(b) taking a holistic approach in terms of its coverage of BEES-related subtopics without prioritising a single subtopic or a subset of the subtopics. Potential subtopics for consideration might include, for example, risks and opportunities related to water (freshwater and marine), resources and ecosystem use, land-use and land-use change, pollution (including emissions into air, water and soil), resource exploitation (including material sourcing and circular economy) and invasive non-native species;

(c) conducting targeted consultations with entities, investors, standard-setters and other capital markets participants in different jurisdictions and industries to understand, for example, globally accepted definitions, how information is prepared, used and verified, and industry-specific and geography-specific aspects of BEES-related risks and opportunities;

(d) evaluating current BEES-related disclosure by entities in accordance with existing standards and frameworks to understand, for example, information that is decision-useful for investors, deficiencies in reporting that might affect or impact the delivery of such information to investors, and to note trends or discrepancies in different industries and jurisdictions;

(e) how the risks and opportunities associated with different BEES-related subtopics might differently affect particular business models, economic activities and other common features that characterise participation in an industry; and

(f) leveraging synergies with the other activities in the ISSB's next two-year work plan. BEES-related research could, for example, support the ISSB's work to further enhance the SASB Standards and could lead to greater understanding of relevant interactions between BEES-related subtopics and climate change and the related implications for disclosures in accordance with IFRS S2.

Risks and opportunities associated with human capital

A4. The objectives of the research project on human capital-related risks and opportunities could include:

(a) the development of a more robust understanding of the human capital-related information needs of investors, including any differences between different investment strategies, asset classes, investment horizons or other characteristics that might influence the consideration of sustainability-related disclosures;

(b) the identification and potential classification of risks and opportunities related to human capital and overlapping aspects of human rights, of their potential implications for entities' prospects and the options available to entities to respond to their exposures, and the development of an understanding of how relevant risks and opportunities are associated with specific business models, economic activities and other common features that characterise participation in an industry;

(c) the assessment of existing practices, tools and metrics used to measure, manage and disclose material information about human capital-related risks and opportunities and the identification of those that can effectively support the ISSB's work to respond to the common information needs of investors; and

(d) an analysis of alternatives to the project's name, such as 'Labour-related risks and opportunities' or 'Risks and opportunities associated with an entity's own workforce and workers in its value chain,' to enhance clarity and more accurately represent the project's scope while ensuring alignment with the project's goals.

A5. In undertaking the research, the ISSB could consider:

(a) as a starting point, existing ISSB resources and the work of other relevant standard-setters and framework providers while maintaining an investor-focused perspective. For example, in the first stages of the research, the ISSB could consider:

(i) whether and to what extent the general requirements set out in IFRS S1 are sufficient to support effective disclosure of human capital-related financial information;

(ii) whether and how the general requirements in IFRS S1 might be usefully supplemented with additional requirements or guidance derived from the SASB Standards (including the associated Human Capital research project), the CDSB Framework and the Integrated Reporting Framework;

(iii) how such a project might enhance the interoperability of the ISSB's global baseline of sustainability-related financial disclosure, particularly with the GRI and ESRS standards; and

(iv) investigate further whether and how the information needs of investors might be effectively addressed by building on relevant components of other standards and frameworks frequently raised by respondents.

(b) taking a holistic approach in terms of its coverage of human capital-related subtopics without prioritising a single subtopic or a subset of the subtopics. Potential subtopics for consideration might include, for example, risks and opportunities related to worker wellbeing (including mental health and benefits), diversity and inclusion, employee engagement, workforce investment, the alternative workforce, labour conditions in the value chain and workforce composition and costs;

(c) seeking to determine and communicate more clearly the boundaries and connections between the risks and opportunities associated with human capital and those associated with human rights, including the areas in which work on one topic would capture aspects of the other (for example, with respect to an entity's own workforce and the workers in its value chain);

(d) conducting targeted consultations with entities, investors, standard-setters and other capital markets participants in different jurisdictions and industries to understand, for example, globally accepted definitions, how information is prepared, used and verified, and industry-specific and geography-specific aspects of human capital-related risks and opportunities;

(e) evaluating current human capital-related disclosure by entities in accordance with existing standards and frameworks to understand, for example, information that is decision-useful for investors, deficiencies in reporting that might affect or impact the delivery of such information to investors, and to note trends or discrepancies in different industries and jurisdictions;

(f) how the risks and opportunities associated with different human capital-related subtopics might differently affect particular business models, economic activities and other common features that characterise participation in an industry; and

(g) leveraging synergies with other activities in the ISSB's next two-year work plan. Human capital-related research could, for example, support the ISSB's work to further enhance the SASB Standards and could lead to greater understanding of relevant interactions between human capital-related subtopics and climate change (for example, 'just-transition') and the related implications for disclosures in accordance with IFRS S2.

Appendix B—Other proposed projects

B1. This appendix provides a brief summary of:

(a) all the broadly defined sustainability-related topics that the ISSB considered for inclusion in the Request for Information; and

(b) additional projects proposed by respondents to the Request for Information.

B2. Table B1 summarises the broadly defined topics the staff considered. For further details about many of these topics, please refer to Agenda Paper 1A: Items to be considered in development of Request for Information (July 2022) and Appendix A of Agenda Paper 2: Update on planned approach (October 2022).

Table B1: Other proposed projects considered by staff

Topic	Description
Circular economy, materials sourcing and value chains	The 'circular economy' refers to a regenerative system that uses systems-based design and circular flows of resources to maintain or enhance products. Investors' interest in the circular economy and related approaches to materials sourcing and value chain management has increased because the approach can lead to reduced costs and enhanced efficiency through the minimisation of waste and pollution, and the reduction of the need for raw resource extraction. It can also be a source of competitive advantage through innovative coordination and collaboration throughout an entity's value chain.
Corporate governance	Failures and weaknesses in corporate governance arrangements can adversely affect the financial performance of an entity and thus investors' returns. Investors seek information related to aspects of corporate governance, including the board of directors' capacity for and practice of oversight, board composition and executive remuneration. Significant jurisdictional differences limit the comparability of information for global investors.
Cybersecurity, data security and customer privacy	Business entities are increasingly dependent on digital systems, heightening their risk of cybersecurity threats, including malware, phishing attacks, denial-of-service attacks, ransomware, insider threats and more. Cybersecurity-related risks have the attention of the global

	investment community, who have highlighted that cyber incidents can disrupt business operations, lead to significant costs and lost revenue, and create reputational, legal and regulatory risks.
Economic inequality	Although investors have typically viewed economic inequality as a systemic risk, recent initiatives have begun to explore the business case for addressing inequality in ways that unlocks entity-level benefits. Effective management of business activities related to fair wages and working conditions, inclusive workforces, access and affordability, anticompetitive practices, and lobbying efforts could address inequality while creating potential benefits such as attracting and retaining talent, growing the customer base, building resilient supply chains and staying ahead of policy and regulatory change.
Water and marine resources	Water and marine resources are critical to the long-term viability of a range of economic activities, including agriculture, apparel manufacturing, mining and technology. Business risks and opportunities can arise from the regulatory environment, competition for local resources, pollution of watersheds (for example, due to agricultural runoff or industrial wastewater) or marine ecosystems (for example, eutrophication from excessive nutrient loading, or metal contamination and plastic pollution), as well as weather events and more. Investors remain dissatisfied with the state of water-related disclosure.
Emerging technologies (including artificial intelligence)	Emerging technologies such as artificial intelligence, blockchain, and the 'Internet of Things' are rapidly transforming industries by improving efficiency, enhancing productivity and enabling innovative business models—but they also carry significant risks. Investors are increasingly focused on financial implications, including potential shifts in market dynamics, regulatory changes, ethical considerations, legal challenges and the need for significant investment in new skills and infrastructures.
Humane treatment of animals	Companies are increasingly taking steps to ensure humane and ethical treatment of animals in their business activities, including consideration of animal welfare in supply chains and the social and environmental impacts of animal-based products. Investors may evaluate how companies address animal welfare in their operations, product development, and sourcing practices, given the potential reputational risks and the related regulatory developments and consumer trends.

Indigenous rights	Indigenous rights encompass the recognition of and respect for the rights of indigenous communities, including land rights, cultural preservation and consent for development projects (known as 'Free, Prior, and Informed Consent,' or FPIC). Investors are increasingly attuned to the legal, reputational and operational risks associated with overlooking indigenous rights in project development and operations.
Just transition	The concept of a 'just transition' centres on ensuring that the shift towards a lower-carbon economy is inclusive and equitable, leaving no one behind. This includes addressing the social impact on workers, communities and consumers, especially those highly reliant on carbon-intensive industries. Investors are interested in how companies plan and implement strategies to manage both climate-related and social risks and opportunities.
Plastics	The issue of plastic pollution has gained significant attention due to its impact on ecosystems, marine life and human health. Investors are increasingly scrutinising how companies manage and disclose their use of plastics, waste management practices and innovations in packaging and product design. Financial risks and opportunities include those linked to regulatory changes, consumer preferences, potential liabilities and the transition to a circular economy.
Transition planning	Transition planning refers to the strategies and actions that companies undertake to navigate the anticipated transition to a lower-carbon economy. Such plans may include efforts to mitigate or adapt to changing market forces, technological developments and regulatory pressures. Investors seek detailed information on how entities plan to transition, including timelines, targets, and investment plans, to assess the risk-and-return implications for the entity's prospects over the short, medium and long term.