

## International Sustainability Standards Board - Agenda Consultation 1 September 2023

### Response from the Chartered Institute for Personnel & Development (CIPD)

#### About us:

We are the professional body for HR and people development. We've been championing better work and working lives for over 100 years.

We help organisations thrive by focusing on their people, supporting our economies and societies. We're the professional body for human resources, learning and development, organisation development and all people professionals – experts in people, work and change.

With 160,000 members globally – and a growing community using our research, insights and learning – we give trusted advice and offer independent thought leadership. And we are a leading voice in the call for good work that creates value for everyone.

#### Summary

We welcome the move to international sustainability reporting standards.

In terms of priorities, it would make sense to ensure that the first two standards (general disclosure and climate) are a success, in order to ensure that later standards are also adopted. Evidence of relevance to impact and implementation issues should also be acquired to inform later developments. We would then focus on human capital reporting, which is our area of expertise.

The human capital (or social) side of reporting is less well developed or consistently reported on than other aspects of governance and environmental reporting. While we recognise the economic imperatives and global climate emergencies that require attention, we also argue that matters of human and social capital also need to be prioritised by company boards and investors. This was very much in evidence during the Covid-19 pandemic. Health and safety, labour and skills availability, and job design and culture were all demonstrated to being material to company performance and therefore important and significant in their own right.

In terms of areas most likely to affect value creation, we suggest the following order:

- Workforce investment
- Employee engagement
- Worker wellbeing (including mental health and benefits)
- Diversity, equity and inclusion
- Workforce composition and costs
- The alternative workforce
- Labour conditions in the value chain

We suggest that the ISSB look at the ISO human capital reporting standards in addition to those mentioned in the consultation. We also believe that it would be important to discuss what it is that we hope to achieve from reporting on human capital. Social reporting objectives could be for directors to describe:

- how they manage people in their workforce, value chain and consumer base, to gain an understanding of management competence
- how the company provides healthy and inclusive work, to gain an understanding of how likely the company is to be able to attract and retain employees
- how the company will manage the climate transition (just transition). As highlighted above, how an organisation conducts workforce planning and trains and develop its workforce is a critical foundation for transitioning to net zero operations.

We believe that the ISSB will need to develop outreach to chief people officers and the HR profession, in addition to its existing connections to the finance departments and accountants. We would be happy to help facilitate such engagement.

We are also submitting a joint letter with Acas.

## **ISSB AGENDA CONSULTATION 2023**

### **Question 1—Strategic direction and balance of the ISSB’s activities.**

#### **(a) From highest to lowest priority, how would you rank the following activities?**

Please drag and drop to rank, where 1 is the highest priority and 4 is the lowest priority.

- 1\_\_\_\_\_ supporting the implementation of ISSB Standards (IFRS S1 and IFRS S2)
- 2\_\_\_\_\_ beginning new research and standard-setting projects
- 3\_\_\_\_\_ researching targeted enhancements to the ISSB Standards
- 4\_\_\_\_\_ enhancing the Sustainability Accounting Standards Board (SASB) Standards

#### **(b) Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.**

As a priority, it would make sense to ensure that the first two standards are a success, in order to ensure that later standards are also adopted. Evidence of relevance to impact and implementation issues should also be acquired to inform later developments.

We would then focus on the new research and standard-setting projects as they include our area of expertise which is human capital reporting.

Regarding targeted enhancements to the ISSB standards, we note that one of the possible actions is to produce guidance on the just transition, looking at the ILO definition: ‘greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind’.

Climate impacts could include the ability to work in safe conditions (e.g. due to floods, wildfires, etc) and other impediments to the movement of labour; threats to human safety e.g. severe heat, air quality, pollution, destruction of food sources, infrastructure.

There would seem to be considerable potential overlap between this and the human capital reporting project which could lead to confusion; we would prefer issues such as inclusiveness and decent work to

be dealt with under the human capital project. From a pragmatic viewpoint, a human capital project might be more likely to engage the HR community, who might otherwise miss the content labelled 'climate', and whose participation will be essential to ensure that reporting on decent work can be put into operation.

**(c) Should any other activities be included within the scope of the ISSB's work? If so, please describe these activities and explain why they are necessary.**

- Yes
- No

**Optional: please explain** \_\_\_\_\_

We wonder whether liaison with the relevant audit and other authorities should be included.

## **Question 2—Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan**

Paragraphs 23–26 of the Request for Information discuss the criteria the ISSB proposes to use when prioritising sustainability-related reporting issues that could be added to its work plan.

*The ISSB considers seven criteria in deciding whether a potential project will meet investors' needs:*

*1 the importance of the matter to investors (the term 'investors' is assumed to refer to primary users of financial statements as defined in the IASB Conceptual Framework—that is, existing and potential investors, lenders and other creditors)*

*2 whether there are any deficiencies in the way companies disclose information on the matter*

*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*

*4 how pervasive or acute the matter is likely to be for companies*

*5 how the potential project interconnects with other projects in the work plan*

*6 the complexity and feasibility of the potential project and its solutions*

*7 the capacity of the ISSB and its stakeholders to progress the project in a timely way.*

**(a) Do you think the ISSB has identified the appropriate criteria? Please explain your response.**

- Yes X
- No

**Optional: please explain** \_\_\_\_\_

It is not clear from the criteria whether the term 'investors' is intended to include both institutional and retail investors. If both, then the communication to retail shareholders is more to the level of the ordinary citizen. It is also important to consider whether the investors refer mostly to financial intermediaries and service providers, such as asset managers and investment banks, or whether they include the end investors (such as end beneficiaries in pension funds, UCITs, family offices, foundations, charities, etc) whose money is being invested in the companies, as their interests may differ. As it stands, the wording is unclear, which makes it difficult to understand whether the criteria are appropriate.

In reality, companies need to focus on their existing investors, since it is often difficult for publicly traded companies to know who potential investors might be and to take their views into account. Particularly for human capital reporting, engagement by company shareholders has only really started to increase in the past few years. Our recent report, [The value of people expertise on corporate boards<sup>i</sup>](#), includes this quote from a chief people officer in a FTSE-listed company:

*“Six years ago, we probably had about five investor calls. Last year we did 27 calls with investors wanting to have discussions about people – what we’re doing with talent, the diversity piece... more and more of the investors want to see you linking rewards, long and short term, to ESG [environmental, social and corporate governance].”*

Evidence from the CIPD’s recent review<sup>ii</sup> of the quality of human capital/workforce reporting among FTSE 100 firms suggests that the overall quality of corporate disclosures in this area is poor. The research conducted with Railpen and PLSA found:

- only one in five (22%) FTSE 100 employers reported the ethnic breakdown of their workforce, up from just 10% in 2019. Nine companies disclosed their ethnicity pay gap, up from three in 2019. Just 6% of firms provided information on the cost of their contingent, non-permanent workforce.
- Only 37% reported their number of apprenticeships and internships, 35% disclosed hours of training, and 16% disclosed the cost of training. Only 11% provided data on their internal hire rates, an important indicator of how well companies train and develop staff.
- Only 15% of employers discussed their pension policy in the people section of their annual report, despite pensions being a key part of the employment offering.
- Only 13% of annual reports discussed mental wellbeing in relation to health and safety or risk assessments.

This assessment is also supported by research<sup>iii</sup> from the FRC Lab, which concluded: “Despite regulatory focus over recent years and increasing company and investor interest, there is a lack of consistent disclosure on workforce matters. A gap remains between the reporting investors are looking for and what is being disclosed. Investors seek a more basic understanding of the composition of the workforce, but also an indication of whether the workforce is a strategic asset and how this relates to longer-term value creation.”

### **(b) Should the ISSB consider any other criteria? If so what criteria and why?**

- Yes X
- No

It may be useful to add whether there is evidence of added value in reporting. This is presumably assumed the description of ‘importance to investors’ and yet investors might decide that something were important without necessarily having the evidence to back this up. Probably these issues have already been discussed by the IASB, but they may need to be discussed again in the context of the ISSB’s work.

One could also add outreach to/interaction with stakeholders, especially in new areas such as human capital. Probably the IASB has developed connections to the chief financial officers and investor relations teams within companies; dealing with new issues such as climate and human capital will mean a need for the ISSB to develop relations with new stakeholders, particularly chief sustainability officers and chief people officers. We would be happy to facilitate roundtable discussions with out members.

### **Question 3—New research and standard-setting projects that could be added to the ISSB’s work plan**

Paragraphs 27–38 of the Request for Information provide an overview of the ISSB’s approach to identifying sustainability-related research and standard-setting projects. Appendix A describes each of the proposed projects that could be added to the ISSB’s work plan.

**(a) Taking into account the ISSB's limited capacity for new projects in its new two-year work plan, should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?**

- **Single project**
- **More than one project**

We would encourage the ISSB to prioritise human capital reporting and ideally we would like to see concentrated effort to make progress on this, which would suggest focus on a single project. However, we appreciate that there are competing demands and strong arguments in favour of other projects also, so we would prefer to see incremental progress via more than one project than none.

**(i) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A or suggest another project. Please explain your response.**

- **Biodiversity, ecosystems and ecosystem services**
- **Human capital**
- **Human rights**
- **Integration in reporting**
- **Other—please explain**

**Optional: please explain**

Our area of interest is human capital reporting, which is critical to both understanding key people risks facing organisations and also to understanding the role of the workforce in value creation. Insights on whether organisations conduct activities like strategic workforce planning and how they train and develop their staff can also help inform investors how effectively firms are likely to be able to adopt new technology or new ways of working which can reduce their carbon emissions.

This is not to say that others are not important, but we are less able to comment on those.

#### **Question 4—New research and standard-setting projects that could be added to the ISSB's work plan: Biodiversity, ecosystems and ecosystem services**

The research project on biodiversity, ecosystems and ecosystem services is described in paragraphs A3–A14 of Appendix A to the Request for Information. Please respond to these questions:

**(a) Of the subtopics identified in paragraph A11, to which would you give the highest priority? Please select as many as applicable.**

**Please explain your choice and the relative level of priority with particular reference to the information needs of investors. You may also suggest subtopics that have not been specified.**

To help the ISSB analyse the feedback, where possible, please provide:

- a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
  - your view on the importance of the subtopic with regard to an entity's sustainability-related risks and opportunities and the usefulness of the related information to investors.
- **Freshwater and marine resources and ecosystems use**
  - **Land-use and land-use change**
  - **Pollution (including emissions into air, water and soil)**
  - **Resource exploitation (for example, material sourcing and circular economy)**

- Invasive non-native species
- Other—please specify

Optional: please explain \_\_\_\_\_

No comment

**(b) Do you believe that sustainability-related risks and opportunities related to biodiversity, ecosystems and ecosystem services are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?**

- Yes
- No

**Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.**

No comment

**(c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A13 should be utilised and prioritised by the ISSB in pursuing the project? Please select as many as applicable.**

**Please explain your choices and the relative level of priority with particular reference to the information needs of investors. If you would like to suggest materials that are not specified, please select 'Other' and give your suggestion(s) in the comment box. You can suggest as many materials as you deem necessary.**

**To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.**

- The Climate Disclosure Standards Board (CDSB) Framework application guidance for biodiversity and water-related disclosures
- The SASB Standards
- The Integrated Reporting Framework
- The Global Reporting Initiative (GRI) standards (for example, GRI 304 – Biodiversity)
- The Taskforce on Nature-related Financial Disclosures (TNFD)
- The Partnership for Biodiversity Accounting Financials (PBAF)
- The Capitals Coalition
- The Science Based Targets Network
- The European Financial Reporting Advisory Group (EFRAG)
- The European Commission's Align project
- The EU Business and Biodiversity Platform
- The World Benchmarking Alliance
- The United Nations Declaration on the Rights of Indigenous Peoples
- Other—please specify

Optional: please explain \_\_\_\_\_

No comment

## **Question 5—New research and standard-setting projects that could be added to the ISSB’s work plan: Human capital**

**The research project on human capital is described in paragraphs A15–A26 of Appendix A to the Request for Information.**

*The research project could include:*

- (a) research to develop a framework of definitions and categories of human capital that could incorporate and build upon research by the ISSB’s legacy organisations, including the Integrated Reporting Framework and the SASB’s evidence-based framework on human capital, which was developed through extensive market consultation, to create definitions and categories of human capital subtopics;*
- (b) research to understand the sustainability-related risks and opportunities related to each human capital-related subtopic and the related information that is material to investors, including those risks and opportunities associated with specific business models, economic activities and other common features that characterise participation in an industry; and*
- (c) research to understand existing practices, tools and metrics used to measure and disclose material information about sustainability-related risks and opportunities for each subtopic that can be incorporated into the ISSB’s work to respond to the needs of investors.*

**Please respond to these questions:**

**Of the subtopics identified in paragraph A22, to which would you give the highest priority?**

**Please select as many as applicable.**

**Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You may also suggest subtopics that have not been specified.**

**To help the ISSB analyse the feedback, where possible, please provide:**

- **a short description of the subtopic (and the associated sustainability-related risks and opportunities); and**
- **your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.**

We have undertaken research into human capital reporting, management and the HR profession. We have published many reports which are available via our [website](#). We include some details below, but would be happy to discuss these further with the ISSB and/or arrange a discussion with our members.

Some of our recent studies which may be of interest to the ISSB are set out below:

1. [How do companies report on their ‘most important asset’?: An analysis of workforce reporting in the FTSE 100 and recommendations for action](#)<sup>iv</sup> (CIPD, 2022): This research found that, according to an analysis of annual reports, the quality of workforce reporting in the FTSE 100 remains inadequate. For example, only one-third (33%) reported recruitment data, just 6% reported the cost of hiring contingent workers and a mere nine companies reported their ethnicity pay gap. Only a minority of firms provide data on skills investment, 37% reported their number of apprenticeships, 35% disclosed hours of training and 16% disclosed the cost of training. Only 13% of FTSE 100 companies discussed mental wellbeing in relation to health and safety or risk assessments.
2. [Effective workforce reporting: Improving people data for business leaders](#)<sup>v</sup> (CIPD, 2023): The CIPD has published detailed research on how organisations use non-financial reporting. Our effective workforce reporting research from February 2023 draws on survey data and

conversations with business and HR leaders to explore how they use people data and reporting, the importance they place on this and how workforce reporting could be improved.

3. **People analytics:** [Driving business performance with people data](#) (CIPD, 2022)<sup>vi</sup>: This report found that too few organisations use HR/workforce data and analytics to help inform strategic decisions about how they invest in, manage and develop their workforce in order to deliver on their business strategy.

We believe that it would be important to discuss what it is that we hope to achieve from reporting on human capital. Social reporting objectives could be for directors to describe:

- how they manage people in their workforce, value chain and consumer base, to gain an understanding of management competence
- how the company provides healthy and inclusive work, to gain an understanding of how likely the company is to be able to attract and retain employees
- how the company will manage the climate transition (just transition). As highlighted above, how an organisation conducts workforce planning and trains and develop its workforce is a critical foundation for transitioning to net zero operations.

### **Subtopics:**

- **Worker wellbeing (including mental health and benefits)**
- **Diversity, equity and inclusion**
- **Employee engagement**
- **Workforce investment**
- **The alternative workforce**
- **Labour conditions in the value chain**
- **Workforce composition and costs**
- **Other—please specify**
- **Optional: please explain**

We consider all of these areas to be important. The question for prioritisation, however, is: what are we trying to achieve?

If the aim is to focus on those standards which might have the greatest impact on value creation, company performance and sustainability, and thus be of greatest interest to investors, then we believe that the priority should be workforce investment, including skills and productivity, and employee engagement. But reporting on investment is probably the least developed area in practice. So from the perspective of a company or country which has not reported much before on workforce matters, it might be difficult to start from here.

If you wish to prioritise a pragmatic approach of building the standards which are easiest for companies to meet, then you might start with workforce composition and cost, since this would be the foundation for reporting on many other standards.

However, our suggestion for what should be of most interest to investors would be workforce investment.

Commenting on each:

- **Workforce investment**



CIPD [research](#) published this year<sup>vii</sup> found that addressing skills and/or labour shortages was cited by business leaders as their number one organisational challenge, with employee health and wellbeing coming in at number four, behind inflation costs and wage inflation. This suggests that organisations should publish information on workforce planning, talent management, and training and development, and on outcomes where this data is available. They should also publish information on their strategy and policies to support and manage staff health and wellbeing and their effectiveness. Information which can highlight a link between input data, such as staff training, and output data, for example customer satisfaction or improved financial outcomes, is particularly valuable.

The CIPD believes that company performance is strongly linked to skills and productivity, with implications not only for the individual company but also for growth in the UK economy: see our report: Keep, E. (2023) [An industrial strategy for the everyday economy](#). London: Chartered Institute of Personnel and Development.

Investment in the workforce and upskilling existing employees is important for talent retention. We know<sup>viii</sup> that nearly two-fifths of organisations (38%) are increasing efforts to meet their talent requirements by developing more talent in-house. Upskilling existing employees is the most common response to recruitment difficulties (60%).

Research from the [CIPD](#), the [Edge Foundation](#), and [KPMG](#)<sup>ix</sup> has shown that people with higher levels of essential skills have improved social mobility, employment, earnings, job satisfaction and life satisfaction. Employers need to take a more structured and cohesive approach to essential skills training (transferable skills such as communication, interpersonal, problem-solving and self-management skills). This is not just about providing the training itself, but also about job design and performance management. Our research estimates that low essential skills cost the UK economy £22bn.

In 2018, we conducted [research](#)<sup>x</sup> exploring the academic literature around the strengths and weaknesses of the existing measures of job quality, working from the assumption that, to fully understand the interrelationships between our economies and societies, we need a broader conception of good quality work and employment than the standard econometric measures give. The raw figures of how many jobs there are and what financial value they produce are quite simply not enough. As well as wellbeing at work, we can also look at employees' opportunities to progress and develop as professionals, job complexity and skills used, and employee voice.

Innovation: Working practices are very relevant to innovation and thus to company opportunities (see Eurofound and Cedefop (2021), Innovation in EU companies: Do workplace practices matter? European Company Survey 2019 series, Publications Office of the European Union, Luxembourg).

The CIPD's net zero report<sup>xi</sup> found that the key areas for human capital management in relation to the transition to net zero are likely to be:

- organisational change
- workforce planning
- upskilling the workforce (and sometimes supply chains).

#### • Employee engagement

In May 2023, the CIPD published [research](#)<sup>xii</sup> that highlights a link between the quality of people management and employee engagement, performance, health and wellbeing. Using the CIPD/YouGov

UK Working Lives/[Good Work Index](#) 2022 surveys<sup>xiii</sup>, this report highlights the importance of equipping managers with the skills to manage and develop people effectively in order to support their health and wellbeing and to help boost employees' performance and commitment. Managers who treat people fairly and provide effective feedback and support, while also developing their staff and helping employees to work together, are likely to have happier, healthier and higher-performing teams.

### • Worker wellbeing (including mental health and benefits)

CIPD [research](#)<sup>xiv</sup> in 2022 found that most organisations were taking additional measures to support employee health and wellbeing in response to COVID-19, most commonly through providing more tailored support to address individuals' needs and concerns (81%), an increased focus on employees' mental health (81%), and new or better support for people working from home (72%). Fewer (26%) provide guidance/training for line managers on how to support people to stay at work when managing health conditions, while half of organisations (51%) took a strategic approach to employee wellbeing. These organisations are far more likely to report a number of positive achievements from their activity, at both the individual and organisational level.

Fewer than two-fifths (38%) of HR respondents agreed that managers are confident to have sensitive discussions and signpost people to expert sources of help when needed; even fewer (29%) believed they are confident and competent to spot the early warning signs of mental ill health. This isn't surprising given that just over two-fifths (44%) of organisations are training managers to support staff with mental ill health. Finally, management style remains among the most common causes of stress at work.

### *Financial wellbeing*

CIPD [research](#) has shown that financial and related mental health issues are affecting a significant and growing proportion of the workforce<sup>xv</sup>, negatively impacting employee wellbeing and performance<sup>xvi</sup>. Employees not only need, but now also expect, this support from their employer. The business case for improving employees' financial health is clear: those who experience money worries are more prone to absence from work. Financial distress relates to health issues, including dysregulated production of the hormone cortisol, key to dealing with stress, and self-reported health. In turn, these can influence performance, absenteeism and presenteeism, in which employees attend work but, because of health problems or other personal issues, don't perform to their usual standards. Many companies have reported on what they have done to help employees manage the cost-of-living crisis.

### • Diversity, equity and inclusion

*In the ISSB's research and outreach work, DEI emerged as an area of particular interest to investors within the overall topic of human capital. The ISSB could initially prioritise research on DEI, before further researching other human capital topics. Your feedback on this Request for Information will inform the ISSB's decisions regarding the scope of this project. The ISSB could also use the research and materials of the SASB's research project on human capital and its standard-setting project on DEI: see [Human Capital: Diversity, Equity & Inclusion - SASB](#)*

Given the fact that several jurisdictions have already passed laws requiring disclosure in this area, it may be easier to develop an international standard based on work already carried out.

The CIPD believes that organisations should publish information on the equality, diversity and inclusion (EDI) of their workforce. Companies that don't take EDI matters seriously are likely to fall behind in the war for talent.

An inadequate focus on diversity and inclusion can indicate that an organisation is failing to identify talent effectively and without bias, and also raises reputational risks, for example in relation to discrimination or harassment<sup>xvii</sup>.

Information which can provide insight on inclusion and diversity can help stakeholders to understand important aspects of organisational culture and potential risks. In recent years, there has been a lot more disclosure around gender equality in particular, which makes it easier to analyse the information provided, and allows advisory firms to analyse and compare the information across sectors and across countries; see, for example, reports by Equileap.<sup>xviii</sup>

Corporate failings such as sexual harassment and other forms of discrimination, bullying, and poor working practices, can lead to serious reputational damage if not recognised by senior leaders. Researchers have found that: *“The average effect of a sexual harassment scandal is significantly negative and robust, with around 1.5% abnormal decrease in market value over the event day and the following trading day.”*<sup>xix</sup>

The CIPD has conducted an analysis of company reporting on the gender pay gap<sup>xx</sup> in the UK and we found that:

- in the first year of reporting on the gender pay gap, 74% of employers that had submitted their gender pay gap data also gave a weblink to a narrative explaining their figures and any plans they might have to create a more equal workplace
- by 2022/23 however, this proportion had slumped to 56%, possibly indicating that some employers no longer feel the need to justify their figures or actions. Further analysis can be found at [Gender pay gap reporting: Where's the story? | CIPD](#)<sup>xxi</sup>

So we believe that it would be important to include both data and narrative reporting in any standard.

### • **Workforce composition and costs**

Despite growing expectations for competence around people issues to help with challenges such as closing the skills gap, attracting, and retaining talent, EDI and workforce mental health, our [research](#) into the value of people expertise on corporate boards shows that the majority of UK boards lack directors with people expertise. In all, 99% of boards have a chief financial officer or a finance director among their executive directors, but just 2% have an HR director at this level, and only 25% have a non-executive director with HR experience.

Many of the key challenges facing companies relate to people issues; however, there is often a significant mismatch between the skills and knowledge of UK boards and those needed to understand the main people-related risks facing organisations. This ‘people insight’ deficit also means that many organisations fail to fully recognise the value creation potential of their workforces, reflected by falling levels of investment in workforce training and disappointing levels of productivity growth in the UK. Several of the main challenges around organisational performance come down to people management, including closing skills gaps, talent attraction and retention, EDI and workforce mental health.

CIPD research shows that many companies are not fully aware of the costs involved in workforce risks, which means that they are not in a position to act on them or to report on them. For example, the 2022 Resourcing and Talent Planning report by the CIPD and Omni found that only 17% of companies

surveyed were calculating the cost of labour turnover ([www.cipd.org/uk/knowledge/reports/resourcing-surveys/](http://www.cipd.org/uk/knowledge/reports/resourcing-surveys/)). The costs of turnover, however, are extremely high: built<sup>xxii</sup> estimates that “*losing an employee can cost a company one half to two times the employee’s salary. Depending on the individual’s level of seniority, the financial burden fluctuates. For hourly workers, it costs an average of \$1,500 per employee. For technical positions, the cost jumps to 100 to 150 percent of salary. At the high end, C-suite turnover can cost 213 percent of salary”.*

The CIPD has contributed to the development of ISO standards and technical specifications (TS), which represent a broad industry consensus at the point of publication, including:  
ISO/TS 30427:2021 Human resource management - Costs metrics cluster

Cost metrics include:

- total workforce costs
- extended workforce costs
- ratio of basic salary and remuneration
- total costs of employment
- cost per hire
- recruitment costs
- turnover costs

and ISO/TS 30421:2021 Human resource management, which deals with recruitment and turnover cost metrics, and includes contextual factors to aid in the interpretation of the metrics, e.g. expansionary phase, reorganisation, macro-economic/sectoral factors like skills/labour availability.

#### • **The alternative workforce**

ISO/TS 30427:2021 covers extended workforce costs to demonstrate that in a modern economy, organisations are dependent on an agile and flexible workforce structure, system and costs.

These metrics include: costs for contractors, consultants, temporary workers, gig workers, agency fees, etc calculated as total cost of wages compensation and any benefits offered for contingent (temporary and contract) workers on an historical, annualised basis.

However, our research suggests that corporate reporting on the alternative workforce is typically extremely poor, with just 6% of FTSE 100 firms providing information on the cost of their contingent, non-permanent workforce in 2022.

#### • **Labour conditions in the value chain**

Key here is the existence or not of rules or mechanisms within the country’s legal framework, which is not within the individual company’s control. In the UK, certain commercial organisations must publish an annual statement<sup>xxiii</sup> setting out the steps they take to prevent modern slavery in their business and their supply chains.

This needs to cover:

1. Organisation structure and supply chains
2. Policies in relation to slavery and human trafficking
3. Due diligence processes

4. Risk assessment and management
5. Key performance indicators to measure effectiveness of steps being taken
6. Training on modern slavery and trafficking

**(b) Do you believe that sustainability-related risks and opportunities related to human capital are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?**

- Yes
- No

**Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.**

The extent of the risks and opportunities will of course vary according to materiality and across jurisdictions, however CIPD believes there are core areas of human capital management disclosure that are material for risk management and value creation for all organisations.

How organisations invest in the skills of their workforce, how they manage their culture/ employment relations and support the wellbeing of their workers and the extent they understand and promote diversity and inclusion to attract and retain talent will be critical to the sustainable performance of all firms.

We believe that it would make sense for the ISSB to identify the core areas of human capital management disclosure first.

**(c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A25 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.**

**Please explain your choices and the relative level of priority with particular reference to the information needs of investors. If you would like to suggest materials that are not specified, please select 'Other' and give your suggestion(s) in the comment box. You can suggest as many materials as you deem necessary.**

To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

- The SASB Standards and related research and standard-setting projects  
*...human capital is one of the most prevalent areas of disclosure in the SASB Standards, with relevant disclosure topics and associated metrics in all 11 sectors and most of the 77 industry-based SASB Standards.*
- The CDSB Framework for reporting environmental and social information  
*...the latest version of the CDSB Framework for reporting environmental and social information provides substantial guidance related to human capital management disclosure: see [cdsb-](#)*

[framework-2022.pdf \(ifrs.org\)](#): *Disclosures shall report management’s environmental and social policies, strategies, and targets, including the indicators, plans and timelines used to assess performance...*

- The Integrated Reporting Framework

*...which helps entities more fully consider the relationship between human capital and the creation, preservation or erosion of value in the short, medium and long term. See [Creating Value: The value of human capital reporting | Integrated Reporting](#)*

- The Capitals Coalition

See [Social & Human Capital Protocol – Capitals Coalition](#)

- The International Labour Organization (ILO)

See [ILO Conventions and Recommendations \(ilo.org\)](#)

We consider that not only the 11 ILO mandatory conventions and the 4 voluntary conventions, but also the ILO Guidelines for a Just Transition towards environmentally sustainable economies and societies for all published in 2016 are also relevant to human capital reporting.

- The European Financial Reporting Advisory Group (EFRAG)

See [First Set of draft ESRS - EFRAG](#)

- The Global Reporting Initiative (GRI)

See [GRI - GRI Standards English Language \(globalreporting.org\)](#)

- The US Securities and Exchange Commission

See [Final Rule: Modernization of Regulation S-K Items 101, 103, and 105 \(sec.gov\)](#)

- The World Economic Forum (WEF) International Business Council’s core metrics and disclosures on sustainable value creation

See [Explore the Metrics > Measuring Stakeholder Capitalism | World Economic Forum \(weforum.org\)](#)

We believe that it would be useful to review all of these standards.

- Other—please specify

1. ISO standards: the CIPD has contributed to the development of these standards over the past decade, in particular:

- a. ISO30414: includes human capital metrics on:

- i. Compliance & ethics
- ii. Costs
- iii. Diversity
- iv. Leadership
- v. Organisational culture
- vi. Organisational health, safety & wellbeing
- vii. Productivity
- viii. Recruitment, mobility & turnover
- ix. Skills & capability
- x. Succession planning / workforce availability

Optional: please explain \_\_\_\_\_

**Question 6—New research and standard-setting projects that could be added to the ISSB’s work plan: Human rights**

The research project on human rights is described in paragraphs A27–A37 of Appendix A to the Request for Information.

Please respond to these questions:

(a) Within the topic of human rights, are there particular subtopics or issues that you feel should be prioritised in the ISSB’s research? You can suggest as many subtopics or issues as you deem necessary.

To help the ISSB analyse the feedback, where possible, please provide:

- a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
- your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.

No comment

(b) Do you believe that sustainability-related risks and opportunities related to human rights are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

- Yes
- No

Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.

No comment

(c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A36 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified—please select ‘Other’ and give your suggestion(s) in the comment box. You can suggest as many materials as

To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

- The CDSB Framework for reporting environmental and social information
- The SASB Standards
- The Integrated Reporting Framework
- The International Labour Organization
- The UN Guiding Principles on Business and Human Rights and the associated UN

## Guiding Principles Reporting Framework

- The World Benchmarking Alliance's Corporate Human Rights Benchmark
- The United Nations Declaration on the Rights of Indigenous Peoples
- The cross-industry metrics associated with the WEF International Business Council's dignity and equality theme
- Other—please specify

Optional: please explain \_\_\_\_\_

No comment

## Question 7—New research and standard-setting projects that could be added to the ISSB's work plan: Integration in reporting

The research project on integration in reporting is described in paragraphs A38–A51 of Appendix A to the Request for Information.

Please respond to these questions:

(a) The integration in reporting project could be intensive on the ISSB's resources. While this means it could hinder the pace at which the topical development standards are developed, it could also help realise the full value of the IFRS Foundation's suite of materials. How would you prioritise advancing the integration in reporting project in relation to the three sustainability-related topics (proposed projects on biodiversity, ecosystems and ecosystem services; human capital; and human rights) as part of the ISSB's new two-year work plan? Please explain your response.

- Integration in reporting project is a higher priority
- Integration in reporting project is a lower priority

Optional: please explain \_\_\_\_\_

No comment at this stage.

(b) In light of the coordination efforts required, if you think the integration in reporting project should be considered a priority, do you think that it should be advanced as a formal joint project with the IASB, or pursued as an ISSB project (which could still draw on input from the IASB as needed without being a formal joint project)? Please explain how you think this should be conducted and why.

- Formal joint project
- ISSB project

Optional: please explain \_\_\_\_\_

No comment.

(c) In pursuing the project on integration in reporting, do you think the ISSB should build on and incorporate concepts from:

(i) the IASB's Exposure Draft Management Commentary?

If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

- Yes
- No

Optional: please explain \_\_\_\_\_



It is not possible to comment without a deeper understanding of the implications, which are not discussed here.

**(ii) the Integrated Reporting Framework?**

**If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.**

- Yes X
- No

Optional: please explain: Sustainable human capital reporting: The wide range of different standards covering workforce reporting mean that achieving consistency in reporting on human capital matters may be challenging. One approach could be to seek to understand the common areas of human capital disclosure across different standards to try and establish a wider foundational framework that would encompass best practice on agreed material areas of reporting in this area.

It should also be recognised that while there are many available standards, there is little information on the overall level of use/uptake of these standards relative to the overall business population. As, we have highlighted earlier in our response there is a big gap between the best practice set out in different standards and overall reporting practices. Understanding which standards are most commonly used by organisations and their perceived benefits would be useful to inform thinking on how to improve the quality of human disclosure on human capital management issues.

**(iii) other sources?**

**If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.**

- Yes
- No

Optional: please explain \_\_\_\_\_

**(d) Do you have any other suggestions for the ISSB if it pursues the project?**

No comment

**Question 8—Other comments**

**Do you have any other comments on the ISSB's activities and work plan?**

No comment

---

<sup>i</sup> [www.cipd.org/uk/knowledge/reports/people-expertise/](http://www.cipd.org/uk/knowledge/reports/people-expertise/)

<sup>ii</sup> [https://www.cipd.org/globalassets/media/zzz-misc---to-check/workforce-reporting\\_tcm18-106735.pdf](https://www.cipd.org/globalassets/media/zzz-misc---to-check/workforce-reporting_tcm18-106735.pdf)

<sup>ii</sup> <https://www.frc.org.uk/getattachment/59871f9b-df44-4af4-ba1c-260e45b2aa3b/LAB-Workforce-v8.pdf>

<sup>iv</sup> [www.cipd.org/uk/knowledge/reports/workforce-reporting](http://www.cipd.org/uk/knowledge/reports/workforce-reporting)

<sup>v</sup> [www.cipd.org/uk/knowledge/reports/improving-people-data](http://www.cipd.org/uk/knowledge/reports/improving-people-data)

- 
- vi [www.cipd.org/uk/knowledge/reports/people-data-driving-performance/](http://www.cipd.org/uk/knowledge/reports/people-data-driving-performance/)
- vii [www.cipd.org/uk/knowledge/reports/improving-people-data/](http://www.cipd.org/uk/knowledge/reports/improving-people-data/)
- viii [www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/resourcing-and-talent-planning-report-2022-1\\_tcm18-111500.pdf](http://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/resourcing-and-talent-planning-report-2022-1_tcm18-111500.pdf)
- ix [www.cipd.org/uk/about/news/essential-skills-cost](http://www.cipd.org/uk/about/news/essential-skills-cost)
- x [www.cipd.org/uk/knowledge/reports/measuring-job-quality-report/](http://www.cipd.org/uk/knowledge/reports/measuring-job-quality-report/)
- xi [www.cipd.org/uk/knowledge/reports/people-professionals-net-zero/](http://www.cipd.org/uk/knowledge/reports/people-professionals-net-zero/)
- xii [www.cipd.org/uk/knowledge/reports/importance-of-people-management/](http://www.cipd.org/uk/knowledge/reports/importance-of-people-management/)
- xiii [www.cipd.org/uk/knowledge/reports/goodwork/](http://www.cipd.org/uk/knowledge/reports/goodwork/)
- xiv [www.cipd.org/uk/knowledge/reports/health-well-being-work/](http://www.cipd.org/uk/knowledge/reports/health-well-being-work/)
- xv [www.cipd.org/uk/knowledge/guides/employee-financial-well-being](http://www.cipd.org/uk/knowledge/guides/employee-financial-well-being)
- xvi [www.cipd.org/uk/knowledge/evidence-reviews/evidence-financial-wellbeing](http://www.cipd.org/uk/knowledge/evidence-reviews/evidence-financial-wellbeing)
- xvii <https://www.bbc.com/news/business-65166755>
- <https://www.theguardian.com/business/2023/jun/15/crispin-odey-hedge-fund-disbanding-sexual-misconduct-allegations>
- xviii [https://equileap.com/wp-content/uploads/2023/03/Equileap\\_Global\\_Report\\_2023.pdf](https://equileap.com/wp-content/uploads/2023/03/Equileap_Global_Report_2023.pdf)
- xix <https://doi.org/10.1016/j.jcorpfin.2020.101875>
- xx [www.cipd.org/uk/views-and-insights/thought-leadership/cipd-voice/gender-pay-gap](http://www.cipd.org/uk/views-and-insights/thought-leadership/cipd-voice/gender-pay-gap)
- xxi **ibid**
- xxii <https://builtin.com/recruiting/cost-of-turnover>
- xxiii <https://www.gov.uk/guidance/publish-an-annual-modern-slavery-statement#who-needs-to-publish-a-statement>