BS ISO 30414:2018

BSI Standards Publication

Human resource management — Guidelines for internal and external human capital reporting

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National foreword

This British Standard is the UK implementation of ISO 30414:2018.

The UK participation in its preparation was entrusted to Technical Committee HCS/1/2, International Human Resource Management.

A list of organizations represented on this committee can be obtained on request to its secretary.

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Published by BSI Standards Limited 2018

ISBN 978 0 580 95760 4

ICS 03.100.30

Compliance with a British Standard cannot confer immunity from legal obligations.

This British Standard was published under the authority of the Standards Policy and Strategy Committee on 31 December 2018.

Amendments/corrigenda issued since publication

Date	Text affected

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INTERNATIONAL STANDARD

ISO 30414

First edition
2018-12

Human resource management — Guidelines for internal and external human capital reporting

Management des ressources humaines — Lignes directrices sur le bilan du capital humain interne et externe

Reference number
ISO 30414:2018(E)

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

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For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT) see www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 260, *Human resource management*.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

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Introduction

Human capital includes the cumulative knowledge, skills and abilities of an organization's people and the impact on an organization's long-term performance, as well as competitive advantage through optimizing organizational outcomes.

The measurement of human capital facilitates the ability of an organization to manage one of its most critical resources and risks, people. Research shows that organizations that do not manage their human capital may damage the ability and opportunity for the business to create long-term and sustainable value achieved through their people[1].

This document is guided by the principles of human rights at work[2], and coupled with the human governance standard (ISO 30408[3]), it establishes guidelines on human capital data capture, measurement, analysis and reporting.

The benefits of a standardized approach to human capital reporting (HCR) include

— the use of standardized and agreed data, which describes organizational value in a broadly comparable sense;

— the improvement of HRM processes that support good practice in establishing and maintaining positive employment relations;

— greater understanding of the financial and non-financial returns that are generated as a result of investments in human capital;

— accessible and transparent reporting of human capital data and insights that enhances internal and external understanding and assessment of an organization's human capital and its present and future performance.

HCR is following guiding principles which are outlined in 4.2.

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Human resource management — Guidelines for internal and external human capital reporting

1 Scope

This document provides guidelines for internal and external human capital reporting (HCR). The objective is to consider and to make transparent the human capital contribution to the organization in order to support sustainability of the workforce. This document is applicable to all organizations, regardless of the type, size, nature or complexity of the business, whether in the public, private or voluntary sector, or a not-for-profit organization.

This document provides guidelines on the following core HCR areas:

— compliance and ethics;

— costs;

— diversity;

— leadership;

— organizational culture;

— organizational health, safety and well-being;

— productivity;

— recruitment, mobility and turnover;

— skills and capabilities;

— succession planning;

— workforce availability.

NOTE These guidelines and associated metrics can result in better organizational performance. However, some organizations do not have the objective or the capacity to use the entire set of metrics. Recommendations for SME use are provided in Table 2 and Annex A.

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 30400, *Human resource management — Vocabulary*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 30400 and the following apply.

ISO and IEC maintain terminological databases for use in standardization at the following addresses:

— ISO Online browsing platform: available at https://www.iso.org/obp

— IEC Electropedia: available at http://www.electropedia.org/

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3.1
employee
individual who is, according to national law or practices, employed by the organization

Note 1 to entry: Employees are often reported as FTE (full time equivalents) or headcount.

Note 2 to entry: An employment contract as recognized under national law or practice is a written, verbal or implicit agreement (that is, when all the characteristics of employment are present but without a written or witnessed verbal contract).

3.2
supervised worker
individual who performs regular work on-site for, or on behalf of, the organization but is not recognized as an employee under national law or practice

EXAMPLE Supervised workers include, for example, temporary/contingent workers.

3.3
independent contractors
persons or organizations working for an organization, a contractor or a sub-contractor, with a relationship determined by an agreement

EXAMPLE Independent contractors include, for example, consultants, suppliers and gig-workers.

3.4
small and medium-sized enterprise
SME
organization of a small or medium size, as defined by the recognized authority within the country or region

Note 1 to entry: Organization size is determined by multiple dimensions including turnover, balance sheet, resources, size of economy and number of employees.

[SOURCE: ISO/IEC Guide 17:2016, 3.1, modified — definition changed and NOTE replaced]

4 Human capital reporting process

4.1 General

In the context of the organization's strategy, values, leadership and business model, the following should be considered:

1. The principles which guide the measurement, analysis and reporting process. 4.2 provides guiding principles.

   NOTE A useful reference point is ISO 30408:2016, 6.1.

2. Relevant target groups and stakeholders. 4.3 identifies the relevant stakeholders.

3. Responsibilities for HCR and a process for collecting relevant data. 4.4 provides recommendations for tools and procedures for data collection.

4. The distinction between internal and external reporting. 4.5 gives further recommendations for reporting structures.

5. Human-capital-related risks and opportunities. 4.6 provides an overview about human capital risk areas.

6. Quantitative metrics relevant to human capital issues, which should be consistent over time. 4.7 provides classification of human capital areas for potential metrics, differentiated according to

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internal and external reporting. Annex A provides special recommendations for the adaption of the HCR-guidelines for SMEs.

7. Suitable reporting document [e.g. annual report, HR report (see ISO 30408), sustainability report, corporate social responsibility report, homepage], that can be used for internal and external reporting. The type of reporting mechanism for internal and external data includes formal statutory reporting methods, physical, digital, online or machine-readable formats as well as scorecard presentation of KPIs. 4.8 gives recommendations for the use of reporting documents.

8. Reporting frequency. 4.9 gives recommendations for reporting frequencies.

HCR provides insight that will help external and internal stakeholders interpret the metrics, while disclosing any material risks or any other material information related to human capital.

In some instances, the context or strategy of an organization may require the identification of other key metrics and the necessary data elements that need to be captured and reported. The captured human capital metrics signal the consistency between an organization's strategy and its governance.

The external and internal metrics can support decision-making processes and management of human-capital-related issues. HCR provides material information and insight that will help external and internal stakeholders to interpret the metrics and identify the organization's human capital risks and opportunities.

4.2 Guiding principles

The following guiding principles apply:

a) strategic focus and materiality of human capital metrics that are consonant with the organization's strategy and values;

b) an approach that is practicable to the organization's operating model and external context, based on a cost benefit comparison including opportunity cost (e.g. time, quality, volume) analysis (financial and/or non-financial value);

c) relevance for organizations of all types, sizes, sectors and geographic locations;

d) valid and reliable evidence-based measures and the integration of high-quality data to provide insight that informs business decision making;

e) comparability of reported metrics across similar organization types and sectors (see 4.5.2);

f) HCR narrative based on the concept of materiality that identifies the important aspects for the organization and its internal and external stakeholders (see 4.9);

g) transparency of reporting that clearly identifies human capital risks and opportunities to key governance bodies and stakeholders.

It is useful and advisable to ensure that established good practice on information, communication and consultation between management and workforce representatives is respected and protected during HCR and the implementation of any related changes.

NOTE Additional guidance on involvement of employee representatives is given in ISO 45001:2018, 5.4[5].

4.3 Target groups and stakeholder relevance

Given the diverse interests of the multitude of stakeholders of an organization, these guidelines consist of a common set of metrics (for human capital), with relevance for internal and external stakeholders.

With increasing investment in human capital and its potential impact on organizational performance, sustainability and future viability, there is increasing interest in human capital measurements among internal and external stakeholders.

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Internal stakeholders include the workforce and their representatives, corporate governance bodies (e.g. top management, supervisory boards, board members).

External stakeholders include individuals looking for employment, the community and investors who also have an interest in external HCR. Investors are particularly interested in using strategic human capital metrics that can help to determine the relationship between human capital investment and the impact on the success of the organization.

A HCR framework discloses financial and social value creation by an organization and provides evidence of underlying strengths or risks that might otherwise be overlooked in conventional headcount reporting.

Figure 1 gives an overview of the elements of HCR. The figure includes the context in which the organization operates with consideration given to the macro, meso and micro elements influencing HCR.

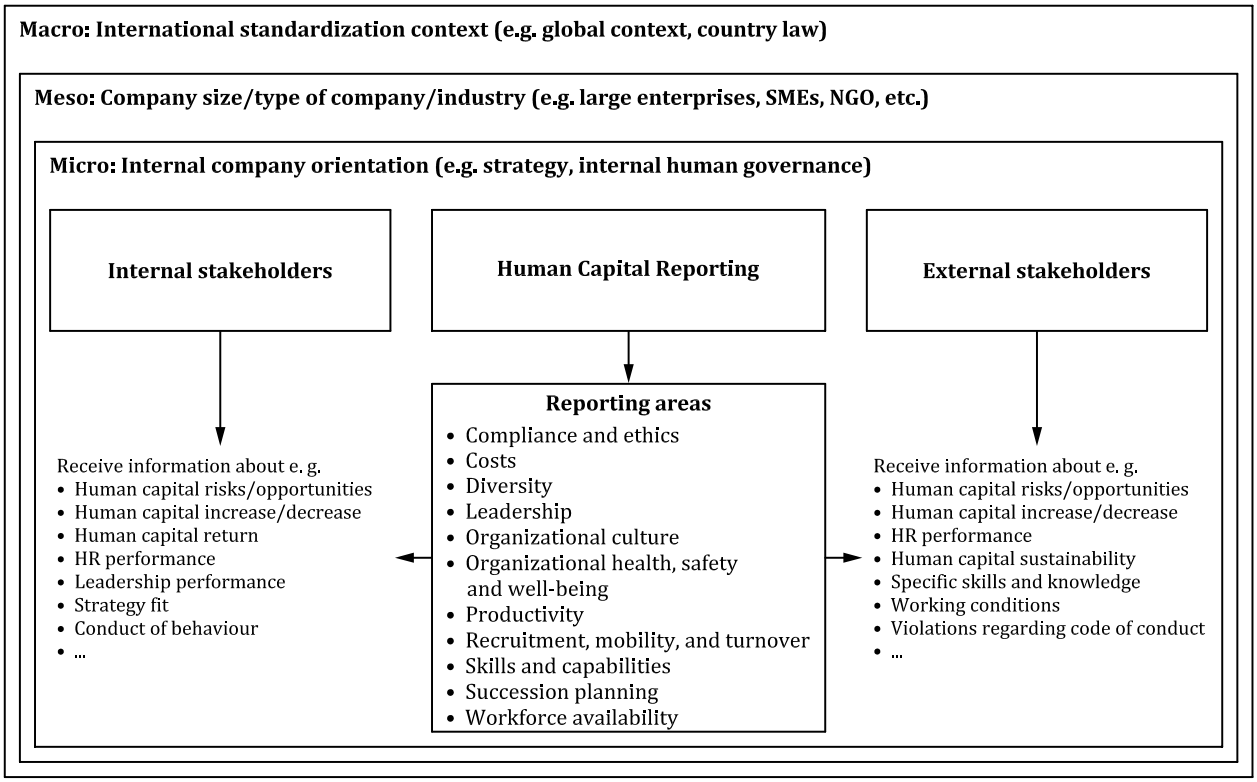

Figure 1 — HCR for internal and external stakeholders

4.4 Tools and procedures for data collection

Data collection and processing for HCR is a prerequisite for creating transparency through key metrics. This applies especially when data are acquired and consolidated from across the organizational networks and/or national borders.

The provision of HCR metrics requires not only a suitable organizational infrastructure but also cross-functional cooperation, regardless of size and type of organization.

In principle, HR has responsibility for HCR data quality, integrity and security as follows:

a) Reporting responsibility: qualitative responsibility for the content and form of HCR, including the definition of data.

b) System responsibility: guaranteeing continuing functionality of those systems that supply data by means of a description of requirements to be met by those systems/partners/facilities that supply data, oriented toward the definitions of HCR.

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c) Resource and content responsibility: ability to prioritize (order) and decide whether, which and in what form key metrics should be selected with regard to

— causal relationship and correlation of data with the intended indication;

— reliability of the sources in terms of data quality;

— need, meaning and interpretability.

d) Interpretation, insight and communication responsibility: lead on and support the interpretation of human capital data and the development of insights and how these are to be communicated.

The reporting and communication responsibility, as well as the resource and content, traditionally lie with HR. Departments that are involved in finance, governance and information systems are increasingly involved in the delivery of HCR, depending on the type and size of an organization.

The system-related responsibility for the procurement and processing of data rests either with the HR manager, the internal IT department of the organization and/or external service providers. For HCR required (also non-IT-supported) systems usually include, but are not limited to,

a) systems to store and process human capital master data (such as demographic data as authorized/prevented or restricted by data protection mechanisms in various jurisdictions), systems to process time management data (e.g. normal weekly working time, hours of attendance paid/unpaid, hours of absence paid/unpaid, number of public holidays);

b) systems to calculate wages and salaries (e.g. wage and salary expenditures, expenditures for social services, statutory levies);

c) systems to maintain and manage organizational data (e.g. cost centres, departments, locations, enterprises, countries, regions);

d) special systems which are required for the management and execution of HR processes, including:

— workforce planning (demand and supply gap analysis), recruitment processes (e.g. vacancies, duration of the recruitment process, number of applicants);

— HR development (e.g. analysis of potential, career and succession planning, learning and development, retention).

The systems identified above are frequently referred to as human resource information systems (HRIS).

In addition, there are further data sources for HCR. These can be finance or business administration systems or externally available data sources (rankings, benchmarks) but also the results from organization-internal or external surveys (e.g. employee surveys, empirical surveys on specific topics).

Challenges of implementing HCR include the competence of the people involved in all parts of the process; the availability, suitability, quality and security of human capital data and the transfer of data available within and outside of the organization into a system which permits various interfaces with the data-supplying sources.

HCR comprises contextual, procedural and technical dimensions. Alongside the selection, development and definition of the key figures and key performance indicators (KPI), the aim is to develop techniques to determine, consolidate and store data, as well as to evaluate and extrapolate analyses and recommended courses of action.

4.5 Reporting structure

4.5.1 Internal and external reporting

Internal and external HCR is key to demonstrating how the organization values its people and also the sustainable value proposition it offers to various stakeholders.

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Internal HCR provides an overview of key human capital aspects to an organization's people, management and workforce representation, for example unions or work councils. All internal stakeholders should get a clear and transparent picture about their organization, the opportunities and challenges regarding human capital. HCR will contain information that internal stakeholders can leverage with external stakeholders thus enhancing the latter's support to and understanding of an organization.

External HCR shows the ability and value of a workforce to stakeholders, who have a valid interest in investing, funding or committing to an organization or in exploring the future potential and development opportunities of an organization.

The HCR-guidelines recommend which metrics should be reported internally and externally depending on the organization type (additional information given in Table 2).

4.5.2 Comparability of reporting

Comparability is important, especially for external stakeholders. Comparability between organizations within one country across similar sectors or between types of organizations should be possible. International comparability (benchmarking) between organizations might be more challenging. It is recommended that the KPIs are reported by the following two dimensions:

a) key indicators linked to organizational strategy and values that are measurable and comparable over time:

   — validity of reporting is dependent on the quality of data and continuity of data provision;

   — tracing the development of an organization needs the provision of data for the current and the two previous reporting periods;

   — for the first time of reporting one year is an acceptable reporting period.

b) segmented workforce priorities:

   — strategic workforce groups (e.g. critical workforce segments, job families, capabilities, locations);

   — strategic entities, including gender or other diversity dimensions (e.g. hierarchy, job levels and economic regions/countries);

   — multi-dimensional segmentation for all reporting areas.

4.6 Risk management

HCR serves the purpose of reporting in a transparent way about an organization's people-related issues and should also be used for human capital risk management.

An 'active risk management' section that requires a narrative summary of the key risks and opportunities is recommended for each reporting area.

NOTE For recommendations on risk management and quality management see ISO 31000 and ISO 9001, especially with regard to the context of the organization and the needs and expectations of stakeholders.

Table 1 gives examples of risk areas, risk types and mitigation measures. Not all of these might be relevant for each organization. Organizations should figure out individually which of the depicted human capital risk types can be applied and make sense for their specific situation.

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