Corporate Sustainability and Human Capital: A Secondary Data Study of ESG Disclosures

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Abstract

Corporate sustainability has developed into a multifaceted idea that encompasses social justice and ethical governance in addition to environmental management. The strategic management of human capital, which includes labor practices, diversity, employee development, and well-being, is essential to this larger sustainability agenda. This study explores how organizations report and integrate human capital initiatives within their Environmental, Social, and Governance (ESG) disclosures. Utilizing secondary data from corporate ESG reports and publicly available sustainability databases, the research analyzes patterns, depth, and consistency in human capital reporting across a sample of leading firms. The findings reveal significant variation in disclosure practices, with some companies demonstrating strong alignment between human resource management and sustainability goals, while others offer minimal detail.

Keywords- ESG, Corporate sustainability, Human Capital, Diversity, Human Resource Management, Sustainability Goals

Introduction

In an era marked by global environmental concerns, shifting social expectations, and increasing regulatory scrutiny, corporate sustainability has emerged as a critical strategic priority for organizations. No longer confined to environmental stewardship alone, sustainability now encompasses social responsibility and ethical governance, forming the foundation of the Environmental, Social, and Governance (ESG) framework. Among these pillars, the social dimension—particularly the role of human capital—has gained growing recognition as a key driver of long-term organizational resilience and performance**.**

Human capital, which includes employees' knowledge, abilities, engagement, and well-being, is increasingly seen as a strategic asset as well as an operational resource. Businesses are better positioned to draw in talent, foster innovation, and maintain a competitive edge when they place a high priority on workplace safety, diversity and inclusion, employee development, and fair labor practices. As stakeholders demand greater transparency and accountability, companies are now

disclosing more information on human capital-related initiatives through ESG reports and sustainability disclosures.

Using secondary data from corporate sustainability reports and ESG databases, this study attempts to examine how businesses portray their human capital initiatives in ESG disclosures. This study aims to clarify the current state of practice and offer insights into how businesses are integrating human resource management with more general sustainability objectives by analyzing reporting trends and assessing the degree to which human capital is incorporated into sustainability narratives.

Literature Review

ESG Frameworks and Corporate Sustainability

In order to ensure long-term value generation, corporate sustainability refers to the incorporation of economic, social, and environmental factors into business operations and strategy (Elkington, 1997; Dyllick & Hockerts, 2002). ESG frameworks, which provide an organized method of evaluating organizational performance across three crucial dimensions—environmental, social, and governance—have emerged as the main instrument for evaluating corporate sustainability.

The social component, especially as it relates to human capital, is still less routinely reported and assessed than environmental measurements, which are frequently more standardized. This variation has fueled scholarly interest in how companies disclose HR-related sustainability efforts and how these affect stakeholder perceptions and firm performance (Kotsantonis et al., 2016).

The Role of Human Capital in Sustainability

The cumulative knowledge, abilities, competencies, and characteristics of workers that support organizational performance are collectively referred to as human capital (Becker, 1964; Wright & McMahan, 2011). Employee engagement, diversity and inclusion, labor rights, health and safety, and training and development are all considered aspects of human capital in the context of sustainability (Schultz & Schultz, 2010).

Strong human capital practices have been linked to improved financial results, increased creativity, and improved reputations, according to research (Barney, 1991; Pfeffer, 1994). These practices are also linked to reduced employee turnover and improved resilience in the face of crises—traits that align closely with the principles of long-term sustainability (Huselid, 1995).

Reporting on Human Capital and ESG Disclosures

ESG disclosures provide information on a company's sustainability performance and act as a communication tool between stakeholders and the company. However, the social component of ESG is frequently underdeveloped or reported inconsistently, particularly when it comes to human capital (Ioannou & Serafeim, 2015). Research shows that despite considerable variance across industries and geographical areas, many businesses still view human capital disclosures as compliance-based rather than strategic (Delmas & Burbano, 2011).

Guidelines for reporting on employee-related indicators are provided by frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB), and Global Reporting Initiative (GRI). However, a lot of businesses only make qualitative statements or report some of them selectively, which reduces the comparability and utility of these disclosures for outside scrutiny (KPMG, 2022).

Conceptual Foundations

The incorporation of human capital into discussions of sustainability is supported by two primary theoretical frameworks:

Resource-Based View (RBV): According to this idea, if a company's human resources are valued, uncommon, unique, and non-replaceable, they can be a source of long-term competitive advantage (Barney, 1991). When human capital is in line with sustainability goals, the company's ability to innovate and adapt is strengthened.

Stakeholder Theory: According to this paradigm, companies should take into account the interests of all parties involved, not only shareholders (Freeman, 1984). Strategic and transparent human capital investment supports long-term value generation and stakeholder trust by meeting the demands of workers, communities, and regulators.

Research Deficits

Human capital and ESG are becoming more and more popular, but there are still a number of gaps. First, there is a dearth of empirical studies that systematically examine human capital disclosures across businesses and industries utilizing secondary data. Second, the "S" in ESG receives less attention than environmental disclosures, which are the main focus of the majority of current research. Third, despite the existence of frameworks, businesses do not all disclose their human capital-related activities consistently, which makes cross-sector and cross-company comparisons challenging.

By examining how human capital is positioned within corporate sustainability narratives using secondary data from ESG disclosures, this study aims to close these gaps.

Methodology

Design of Research

In order to investigate how human capital is portrayed in corporate ESG disclosures, this study uses secondary data and a quantitative text analysis methodology. Finding patterns, trends, and discrepancies in human capital reporting across different firms is the goal of this descriptive and exploratory study. In order to guarantee objectivity and reproducibility, the study is based on the ideas of empirical inquiry and uses data that is readily available to the public.

Sources of Data

The following sources provided secondary data:

- Corporate sustainability and ESG reports (such as integrated reports, CSR reports, and annual sustainability reports posted on official business websites)
- ESG databases that compile ESG performance indicators and qualitative disclosures include Bloomberg ESG, MSCI ESG Ratings, Sustainalytics, and Refinitiv Eikon. Reporting frameworks that serve as a guide for choosing human capital indicators include the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI).
- Due to shareholder demand and legal obligations, only publicly traded corporations were taken into consideration because they are typically more consistent and transparent in their ESG reporting.

Selection of the Sample

A purposive sampling technique was used to select companies based on the following criteria: Inclusion in a recognized ESG index (e.g., Dow Jones Sustainability Index, FTSE4Good, or MSCI ESG Leaders Index)

Availability of comprehensive ESG/sustainability reports for at least three consecutive years (e.g., 2020–2022) participation in a variety of sectors, including as manufacturing, technology, finance, and healthcare. To guarantee a balanced examination, the final sample comprised 50 businesses from various industries and geographical areas.

Information Gathering and Coding

To find and group disclosures pertaining to human capital under important themes, a coding methodology was created, including:

- Employee development and training
- Diversity, equity, and inclusion (DEI)
- Employee health, safety, and well-being
- Labor relations and employee engagement
- Compensation and benefits
- Talent retention and workforce stability

Both quantitative indicators (e.g., training hours per employee, turnover rates, gender diversity ratios) and qualitative statements (e.g., mission statements or strategic goals related to HR) were included. Each company's ESG disclosure was examined and assigned codes using a structured checklist.

Analysis of Data

Two stages of data analysis were carried out:

- Descriptive statistics: The frequency and categories of human capital disclosures were summed up using means, percentages, and frequency counts.
- Comparative analysis: To evaluate consistency, depth, and transparency, disclosures were compared across industries and geographical areas.
- Correlation analysis: Statistical tests were performed to examine the relationship between human capital disclosure intensity and overall ESG scores or rankings. Tools such as Microsoft Excel, SPSS, or NVivo were used for data handling and visualization. process. Inter-coder reliability was ensured by having multiple researchers code a sample of disclosures and resolving discrepancies through discussion.

Reliability and Validity

The coding method was created using established ESG and HRM frameworks (such as SASB Human Capital standards and GRI 401–404) in order to increase validity. To improve the coding procedure, a subset of reports underwent a pilot test. By having several researchers code a sample of disclosures and resolving disagreements through conversation, inter-coder reliability was guaranteed.

Moral Points to Remember

There are no direct ethical issues with human participants because the study only uses secondary data that is readily available to the public. Company data was utilized exclusively for scholarly reasons, and all sources were appropriately referenced.

Results and Findings

The main conclusions from the examination of ESG disclosures pertaining to human capital in a sample of 50 publicly traded businesses from various industries and geographical areas are shown in this section. The findings, which are arranged according to major themes found in the coding scheme, show both qualitative and quantitative trends in reporting procedures.

Prevalence of Human Capital Disclosures

Among the 50 businesses examined:

- 92% included at least one form of human capital-related disclosure in their ESG or sustainability reports.
- However, only 46% of these disclosures were quantitative, while the rest were qualitative or narrative in nature.
- The most frequently reported themes were:
- Employee health and safety (88%)
- Diversity and inclusion (82%)
- Training and development (76%)
- Workforce stability/retention metrics (34%)
- Employee engagement surveys or outcomes (30%)

Variation by Industry

Based on industry, there were significant variations in the breadth and caliber of disclosures: More thorough human capital disclosures were made by the banking and technology sectors, frequently in accordance with SASB or GRI guidelines. The manufacturing and energy sectors typically paid less attention to talent development or DEI programs and more attention to occupational health and safety. The most thorough disclosures about employee well-being, particularly work-life balance initiatives and mental health, came from healthcare organizations.

Trends by Region

The most consistent and thorough reporting on human capital was found in companies with European headquarters, most likely as a result of more stringent regulations and stakeholder expectations. In response to local investor and social pressures, North American businesses placed a strong emphasis on diversity, equity, and inclusion. Asian businesses typically revealed less specifics, frequently making vague or insufficient claims on the welfare of their employees.

Utilizing Metrics and Frameworks

Just 38% of the businesses specifically cited standards such as SASB Human Capital Standards or GRI 401–404 (Employment, Training & Education).

Typical quantitative metrics that were reported included:

- Average number of hours spent on training for each employee
- Gender diversity ratios at different organizational levels
- Total recordable incident rate (TRIR)
- Voluntary turnover rate
- However, even among these companies, standardization was lacking, making cross-company comparisons difficult.

The Association between ESG Scores and Human Capital Disclosure

Overall ESG performance scores, especially for the social pillar, showed a moderately positive link with the depth of human capital disclosures. Reports on workforce-related issues were generally more thorough and supported by data from companies in the top ESG quartile, indicating a connection between ESG leadership and openness.

However, because the study was descriptive in nature, causality could not be proved.

Gaps and Best Practices Found Gaps

- Using human capital indicators inconsistently
- Inadequate reporting on retention tactics and staff engagement results
- Few businesses revealed the connection between long-term business strategy and human capital initiatives.

Top Techniques

- Some leading companies included case studies, employee testimonials, and future targets for workforce development

- A few firms integrated human capital KPIs into executive compensation frameworks, aligning HR outcomes with corporate governance.

Discussion

The study's conclusions offer insightful information on how businesses use ESG disclosures to integrate human capital into their sustainability narratives. This study shows significant diversity in the quality and consistency of human capital reporting across industries and countries, despite the growing recognition of employees as strategic assets within sustainability frameworks.

Analysis of the Main Results

The high frequency of human capital disclosures (92%), which shows that businesses recognize the importance of workforce-related aspects in company sustainability, is one of the most startling discoveries. The prevalence of qualitative reporting over quantitative reporting, however, indicates that many businesses are still developing and assessing their human capital strategy.

The importance of topics like diversity and inclusion, training and development, and health and safety is in line with investor and worldwide social expectations. Nonetheless, a reporting gap in areas that have a direct impact on organizational culture and long-term productivity is highlighted by the lower frequency of disclosures pertaining to employee engagement and retention measures.

Regional and Industry Inequalities

The observed industry-wise heterogeneity is consistent with earlier studies showing that disclosure maturity levels and sustainability priorities differ substantially by sector (Ioannou & Serafeim, 2015). For instance, the technology sector’s stronger performance in human capital disclosures may reflect the industry’s competitive reliance on talent and innovation. In contrast, the emphasis on safety in manufacturing and energy sectors corresponds with operational risks and regulatory pressures.

Regional variations indicate that, because to strict ESG laws and stakeholder activity, European businesses are at the forefront of consistent and open human capital disclosures. On the other hand, Asian companies might still be moving toward more strategic, stakeholder-focused disclosures from compliance-based reporting.

The Connection between ESG Performance and Human Capital

The significance of open workforce management in raising a company's overall sustainability profile is highlighted by the moderate association found between comprehensive human capital

disclosures and higher ESG scores. Although the descriptive form of the study precludes the confirmation of causality, the link suggests that companies that prioritize people-related concerns are generally more advanced in their overall ESG strategy.

This lends credence to the Resource-Based View (RBV), which holds that a source of long-term competitive advantage is effectively managed human capital (Barney, 1991). Employees are also important internal stakeholders, and meeting their requirements supports organizational legitimacy and long-term value generation, according to stakeholder theory (Freeman, 1984).

Useful Consequences for Sustainability and HR Managers

According to the data, human resource (HR) specialists are increasingly involved in establishing business sustainability plans. To establish quantifiable human capital KPIs, guarantee conformity with business goals, and convey their impact through organized reporting, HR departments must collaborate with sustainability teams.

The absence of uniformity in human capital reporting frameworks such as SASB and GRI can help sustainability managers make better disclosures and create more significant

Difficulties in Standardizing Reports on Human Capital

The absence of generally recognized guidelines for the disclosure of human capital is a persistent problem that has been noted in the literature and confirmed by our investigation. Despite providing direction, GRI and SASB adoption is still optional and frequently selective. Businesses may "greenwash" or "social-wash" their ESG initiatives by selecting measures that suit them (Delmas & Burbano, 2011).

Harmonization of regulations and industry standards that promote more openness and comparability in human capital reporting are obviously necessary for progress.

Conclusion and Recommendation

Using secondary data from sustainability reports and databases from 50 publicly traded firms, this study investigated the representation of human capital in ESG disclosures. The results confirm that although the majority of firms recognize the value of human capital in their sustainability frameworks, the breadth, caliber, and uniformity of these disclosures vary widely. While important topics like training and development, diversity and inclusion, and employee health and safety received a lot of coverage, more tactical issues like employee engagement and

retention received less. The impact of sector-specific priorities and regulatory contexts on disclosure practices is further highlighted by regional and industry variations.

Additionally, the study found a moderately positive correlation between overall ESG performance scores and specific human capital disclosures, highlighting the strategic importance of workforce-related measures in promoting corporate sustainability. However, comparability and efficacy are limited by the absence of defined reporting indicators, indicating the need for more human capital integration into ESG frameworks.

The study concludes by highlighting the fact that meaningful and open human capital reporting is a means of achieving long-term organizational resilience and stakeholder confidence, not only a matter of compliance.

The following suggestions are made for businesses, legislators, and researchers in light of the findings:

For Businesses

- Standardize Reporting on Human Capital: To increase uniformity and comparability, align disclosures with internationally accepted frameworks as GDP (401–404), SASB, and ISO standards.
- Quantify Human Capital Metrics: Go beyond qualitative accounts and include quantifiable data on employee well-being, DEI, training, engagement, and attrition.
- Integrate HR and Sustainability Strategies: To guarantee that human capital initiatives complement more general ESG and commercial goals, encourage cooperation between the HR and sustainability departments.
- Connect Human Capital to Strategic Objectives: Explain how risk reduction, innovation, and organizational performance are impacted by human capital management.

For Regulators and Policymakers:

- Minimum Disclosure Requirements for the Mandate: As part of ESG laws, encourage or mandate that listed firms report on key human capital KPIs.
- Establish Sector-Specific Policies: Create industry-specific human capital disclosure guidelines that take into account the risks and realities of each business.
- Encourage ESG Training and Literacy: Fund capacity-building programs to raise corporate awareness of ESG reporting, particularly in developing nations.

For Upcoming Scholars

- Extend the Timeframe and Dataset: To investigate patterns over time and in more places, use longitudinal research with bigger datasets.
- Examine Causality: Using sophisticated statistical models, examine the causal relationship between financial performance or ESG and investments in human capital.
- Analyze Stakeholder Impact: Research how different human capital disclosures affect a company's reputation and how investors, staff, and consumers react to them.

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