

People-Powered Sustainability: Embedding Human Capital in ESG Strategy

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Abstract

In the current scenario of a globalized and competitive business environment, the integration of Environmental, Social and Governance (ESG) principles have become fundamental for sustainable development and success in the long run. Though many organizations acknowledge the importance of ESG, there still exist gaps in implementing these sustainable practices that include human capital as a key driver. This paper explores how organizations can leverage HRM to strengthen ESG activities and create long-term value for stakeholders. The study uses secondary data collected through research papers, blogs and international surveys; the study examines successful ESG strategies from Indian companies added recently in the Dow Jones Sustainability Index, including Cipla, Hero MotoCorp, Godrej Consumer Products and Persistent Systems. The findings highlight how Human Resource Management (HRM) can act as a crucial driver for sustainable development by advocating for green workplace policies, diversity by inclusion, ethical conduct and treating human capital as a measurable business asset. The report concludes that weaving ESG and human capital investment into a company's core fabric is essential for building stakeholder trust, gaining competitive advantage and ensuring a lasting and genuine impact beyond mere compliance disclosures.

Keywords: Environmental, Social, Governance, ESG principles, Human Capital

Introduction

Conservation efforts to preserve the planet have become a necessity in an age where it is under an imminent threat of extinction bound to happen in this or the upcoming generation. Since this venture is impossible by civilian efforts alone, companies everywhere have to become aware of their impact on earth. To be successful in today's capitalistic environment one has to bring about sustainable operations in all aspects to protect the interests of the globe and its residents. That being said this is not only important for preserving the environment but it is also so that, the management can bring financial benefits to the business by saving funds and defeating competitors in costs and efficiency by reducing waste, increasing energy savings and using renewable resources. [1]

It builds confidence in customers and shareholders, attracting people to invest in the organization's activities. This is caused due to the recent shift in the mindset of people to invest and buy from environmentally sustainable and ethically responsible companies. These businesses gain support from the government as well enabling them to upscale their operations and ensure longevity of the business. [1][2]

So many investors and government agencies use ESG metrics which unlike the usual financial data, include quantitative data like carbon emissions, as well as qualitative data like workplace safety systems and governance policies. As sustainability reporting becomes a business imperative, understanding and tracking ESG metrics is critical for companies of all sizes. [3]

Understanding ESG

The term ESG first gained prominence in 2004 when the UN published a report titled *"Who Cares Wins"*, following an initiative by then-UN Secretary-General Kofi Annan. It emerged from the push to include sustainability in capital markets, driven by bodies like the UN Global Compact, the World Bank Group's International Finance Corporation and other major financial institutions. ESG was built on CSR (Corporate Social Responsibility) concepts but gave them a more investor-focused and governance-linked structure. [4]

- *Environmental (E): Impact on planet —carbon footprint, resources used, waste management and climate risks.
- *Social (S): Treatment of people — employees, customers, suppliers and local communities (includes diversity, labour practices and human rights for these people).
- *Governance (G): Management practices — business ethics, board structure, transparency and anti-corruption measures.

When COVID-19 pandemic was enforced, companies having a strong ESG structure were more equipped to withstand the pandemic as they had already accounted for the possibility of disruption much to the surprise of investors.

India's Business Responsibility and Sustainability Report (BRSR) has been established in 2023 for environmental, social and governance (ESG) reporting. These new reporting standards display the evolution from the voluntary guidelines that were issued in 2009 by India's Ministry of Corporate Affairs, further refined in 2012 by the Business Responsibility Report (BRR). This report comes under the Securities Exchange Board of India (SEBI)-the regulatory body for securities markets in India. It is comparable with other internationally accepted reporting frameworks like the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) in the USA. BRSR is not mandatory for smaller listed or unlisted companies. However, they are encouraged to adopt it on a voluntary basis to strengthen stakeholder trust and ESG preparedness.[5]

Statement of the Problem Many companies are unsure on how go about adopting sustainability and resourceful use of human capital which is relatively new concepts as far as it concerns the corporate sector. Due to the shift of goals centered on profit generation to now preserving the interests of the environment and global population, companies often lag behind in this sector.

Objectives

- ✓ To analyze the role of ESG principles in promoting sustainable development.
- ✓ To examine how human capital contributes towards ESG strategies effectiveness.
- ✓ To identify facts of successful ESG-driven practices adopted by global organizations.

Research Methodology

This study is based on secondary data collected from the internet via blogs, research papers, websites and international surveys taken between the years 2015 – 2025. Recent Indian Companies added in the Dow Jones Sustainability Index (DJSI) were reviewed, since they represent best practices in ESG adoption relevant to current trends. This study focuses on four firms: Cipla, Hero MotoCorp, Godrej Consumer Products and Persistent Systems.

Study Limitations:

- *ESG and annual reports are produced by companies themselves, which can lead to selective disclosure or bias (showcasing positives, downplaying negatives).
- *Companies report human capital differently (e.g., Godrej uses HCROI, Persistent uses learning hours, Cipla focuses on well-being).
- *Using one year's data gives a static picture, while human capital impact on sustainability is often long-term and dynamic.
- *The study focuses only on recent Indian companies added in DJSI. Hence, the findings may not be general to companies in other countries or cultural context.

Findings

Let us understand the methodologies that one can implement in their own business through successful corporations who have employed this on a global level. These are the companies which have been added to the Dow Jones Sustainability Index (DJSI) in 2024 [6]:

Comparative ESG Metrics Table

Company	Environmental Highlights	Social Highlights	Governance Highlights
Cipla [8]	<ul style="list-style-type: none"> ➤ 1,89,797 MWh of renewable electricity helped meet 64% renewable electricity for India manufacturing operations ➤ 1.75 Times more water positive ➤ 0 Waste-to-Landfill 	<ul style="list-style-type: none"> ➤ Long-term partnerships, investing in engagement with local communities ➤ Empowering the marginalized and weaker sections with art and science exposure ➤ Employee well-being by safe and nurturing work environment 	<ul style="list-style-type: none"> ➤ Robust Enterprise Risk Management (ERM) ➤ Sustainability Council chaired by the Global Chief Manufacturing Officer who meet quarterly
Hero MotoCorp [9]	<ul style="list-style-type: none"> ➤ 40% Reduction in emission per equivalent vehicle (EPV) ➤ 14% Electricity from renewable sources ➤ 13.8% Reduction in fresh water intensity ➤ 0 Waste-to-Landfill 	<ul style="list-style-type: none"> ➤ 13.5% Gender diversity ➤ 25.29 lakh Saplings planted ➤ 50,000 Kids' helmets distributed ➤ 73.89 crore INR on CSR spend ➤ Inclusive growth 	<ul style="list-style-type: none"> ➤ 100% Compliance to the regulations ➤ 30% Gender diversity in Board ➤ 50% Independent Board Directors ➤ 96.6% Average Board meeting attendance
Godrej Consumer Products [7]	<ul style="list-style-type: none"> ➤ 41% Reduction in emission intensity ➤ 27% Renewable energy ➤ 15x Water positive ➤ 22% Reduction in plastic packaging 	<ul style="list-style-type: none"> ➤ 28.4M People reached through malaria/dengue programs ➤ 47% Gender diversity ➤ 4.52 Human Capital ROI 	<ul style="list-style-type: none"> ➤ Improved OEE ➤ Top market share in insecticides, air care, hair color ➤ Strong international growth
Persistent Systems [10]	<ul style="list-style-type: none"> ➤ Carbon Neutrality for Scope 1 & 2 emissions ➤ 53.4% Reduction in Scope 1-3 emissions ➤ 39% of Energy usage globally with renewable energy sources & 44% in India. ➤ 100% Wastewater recycled 	<ul style="list-style-type: none"> ➤ 94.1% Learning coverage ➤ 52,451 Lives impacted via CSR ➤ 9,577 Volunteers participated in ISR activities ➤ 29.85% Women in workforce ➤ 98,116 Participants in Well-being initiatives 	<ul style="list-style-type: none"> ➤ 7/9 Independent Directors ➤ 97% Code of Conduct compliance ➤ 63% Positions for leadership roles fulfilled internally ➤ 12.74% Women in leadership roles ➤ 0 Data breaches

From this we can infer the below findings.

Sustainable Development through ESG

Environmental (E) – HR, the Sustainability Advocate

HRM may not directly control emissions or water use, but it can:

i. Green workplace policies: Encourage remote work, paperless processes and green commuting.

- ii.Training programs: Teach employees about waste reduction, energy-saving and sustainable practices.
- iii.Incentives: Recognize and reward eco-friendly employee initiatives.
- iv.Appraisals: Conduct employee and area assessments, identify problem sectors and propose solutions.

Example from the table:

- Persistent Systems - 100% wastewater recycled which is not possible without employee awareness and training sessions.
- Cipla - 1.75× water positive means they conserving more water than it consumes in rural areas.
- Hero MotoCorp - Product stewardship by designing products for lower environmental impact.

Social (S) – HR, the People’s Champion.

- i.Diversity & inclusion: Gender balance, fair hiring practice and anti-discrimination policies.
- ii.Community engagement: Volunteer programs, partnerships with NGOs and local outreach.
- iii.Learning & development: Continuous skill upgrades to keep employees future-ready.

Example from the table:

- Godrej Consumer Products - 47% gender diversity with a Human Capital ROI of 4.52 which ties to HR hiring, training and retention policies.
- Cipla - Partnerships with local communities and focus on safe & nurturing environments near manufacturing sites.

Governance (G) – HR, the Culture and Compliance Driver

- Ethical conduct: Structured code of conduct, anti-harassment and whistleblower protections.
- Transparent performance management: Fair appraisals with unbiased promotions.
- Leadership diversity: Advocating for diverse board members and leadership teams.
- Inclusivity: Integrating local employees in decision making relating to respective regions.
- Data privacy: Protecting employee and customer information.

Example from the table:

- Persistent Systems - 97% Code of Conduct compliance in branches and 0 data breaches both of which require HR-led training and enforcement.
- Hero MotoCorp –100% compliance to business regulations 30% gender diversity on board, promoting inclusive company growth.

ESG Value by Human Capital Connection

When HR integrates ESG into human capital strategy, the company builds resilient talent logs, preparing it for future skills needs. It also strengthens the trust of stakeholders like employees, investors, regulators, customers, distributors, etc., creating a competitive advantage in markets where ESG credentials matter for contracts or consumer choice. Employee contribution is important for these activities as they reach the grassroots of everyday operations. It promotes learning in employees and their related communities which can attract talent and retain it for innovation through

diversification. Human capital ensures that these initiatives are culturally appropriate, building a loyal base while preventing the legal risk of hurting sensitivities.

Measure Human Capital as a Business Asset

Godrej Consumer Products reports Human Capital ROI of 4.52 — meaning every ₹1 invested in employee returns ₹4.52 in value. Hence treat workforce investments like financial investments and prove their returns in ESG disclosures as they increase production.

Build Capability by Purposeful Learning

Persistent Systems implement 94 learning hours per employee annually with a high employee engagement (eNPS 8.1/10 in 2024). Hence link training to not just skills, but to achieving ESG targets.

Make Diversity a Performance Metric

Godrej Consumer Products have 47% gender diversity in workforce. Hence diversity is more than a “nice to have”, it’s a competitive driver. Gender balance can improve decision-making in related scenarios, product relevance and brand reputation in ESG-conscious markets.

Use Employee Engagement to Amplify Community Impact

Cipla: Collaborates with communities to empower marginalized groups and contribute to sections of society lacking basic healthcare globally. Hence align CSR with employee volunteering so community projects are championed by staff and not just by a CSR department.

Hardwire Ethics and Compliance into Workforce Norms

Persistent Systems recorded a 97% Code of Conduct compliance and 0 data breaches. Hence a disciplined, ethically aware workforce directly protects governance reliability, reducing regulatory and reputation breaches.

Connect Operational Sustainability to Workforce Behaviour

Hero MotoCorp focuses on employee safety, inclusive growth and human rights while including sustainability in production. Hence safety and rights regulations aren’t only legal requirements but they are enablers of a stable, productive operational environment that can meet environmental and social targets.

Directions for Future Research

- Standardizing human capital metrics in ESG reporting since current ESG disclosures use different metrics (e.g., Godrej uses HCROI; Persistent uses learning hours & eNPS; Cipla highlights safety & well-being). Hence must explore how to create a common, comparable framework.
- Most reports show correlations (e.g., training hours + sustainability outcomes), but there’s no substantial empirical proof of cause-and-effect so could use longitudinal data to measure whether investments in workforce development directly improve ESG ratings, investor trust, or financial returns.
- Current focus is on diversity, engagement and training hours. Future must focus well-being, mental health, leadership ethics and digital skills as ESG-critical human capital metrics.
- With HR increasingly digital (AI in recruitment, people analytics, etc.), there’s scope to study how automated HR tech can make ESG reporting on human capital more accurate and predictable.

Conclusion

Immediately take initiatives to build an enforceable ESG structure to identify the actions needed to be taken instead of going with the band aid approach of using these activities just in disclosures to comply with national and international standards or to look good on paper. While disclosures do provide detail into the company’s efforts, it doesn’t help as much as the ratings which are used by shareholders to make investment by comparing companies of the same standard. Hence both of these mechanisms are important to gauge the performance of a company.[11] This determines whether a company is competent enough to be invested in by stakeholders through weaving ESG and human capital investment into the fabric of the company, making it stand out at a time when alternatives are prevalent. The actions taken by the committees prescribed to each provision must be lasting, real and evolving without discordance in the manufacturing units as well as the marketplace.

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