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HUMAN CAPITAL AS A KEY FACTOR IN COMPANY VALUE MANAGEMENT UNDER THE IMPLEMENTATION OF AN ESG STRATEGY

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In the modern post-industrial world, human capital (HC) is transforming from an operational cost category into a critical strategic resource that determines business competitiveness and resilience. At the same time, the implementation of sustainable development principles and the transition to stakeholder capitalism, reinforced by European Union regulations, in particular the Corporate Sustainability Reporting Directive (CSRD), require companies to reconsider the value of personnel as a key intangible asset and to demonstrate not only financial performance but also social effectiveness.

Even though human capital is becoming more important, measuring it in numbers is still a major challenge. Traditional standards limit the possibility of capitalizing investments in personnel, treating them primarily as expenses of the current period. However, investors are increasingly using non-financial reporting to identify hidden value and risks. The ESRS S1 (Own Workforce) standards create a unified platform for disclosing data on a company's "own workforce," enabling benchmarking and a deeper analysis of the impact of social factors on company value.

The purpose is to examine the role of human capital as a key factor in company value management under the implementation of sustainable development principles.

Research methods. The theoretical and methodological basis of the study includes modern theories and concepts of company value management, human

capital, sustainable development, and ESG. The study applies content analysis, comparative analysis, as well as the methods of generalization and systematization of scientific approaches.

A review of the literature has shown that the discourse surrounding human capital in the context of sustainable development can be divided into five key areas, each offering a unique perspective on the mechanisms of value creation.

Fundamental Theories: RBV, Stakeholder Theory, and Agency Theory. The Resource-Based View (RBV) is still the main framework for understanding human capital as a source of competitive advantage. According to Gerhart, B., and Feng, J., human capital becomes a strategic asset only when it is valuable, rare, difficult to imitate, and properly organized (VRIO). However, Jones, D. A., and Levy, D. argue that under ESG reporting conditions, a paradox arises: transparency may make it easier for competitors to imitate best practices in talent management. Stakeholder Theory, as developed by Porter, M. E., and Kramer, M. R., holds that investments in personnel create “shared value” by reducing social risks and increasing loyalty. In contrast, Margolis, J. D., and Walsh, J. P. note that Agency Theory warns against excessive spending on social programs, which managers may use to enhance their own reputation at the expense of shareholders.

Intellectual Capital and Market Premium (Tobin’s Q). Studies by Natsir, M., and Bangun, N., as well as Trisanti, T., and Widianto, A. published in 2021–2023 focus on the use of intellectual capital as a predictor of market value. Tobin’s Q, which compares a company’s market value to the book value of its assets, shows a strong relationship with human capital components. Chauhan, Y., and Puhan, S. P. found that even during periods of crisis, such as the COVID-19 pandemic, companies with a high level of intellectual capital maintained a higher market premium, confirming the role of HC as a stabilizer of company value.

The Impact of ESG Disclosure on the Cost of Capital (WACC). One of the most quantitatively validated effects is the reduction in the cost of raised capital through transparency in the social domain. Salvi, A., Pujiastuti, R., and Rahmawati, R. demonstrate that disclosure of human capital information reduces information asymmetry between management and investors. This leads to a lower risk premium, which is reflected in a decrease in WACC. According to Zhang, W., and Luo, Y., companies reporting under high standards comparable to the future ESRS S1 gain access to less expensive financing due to lower credit risk and higher ESG ratings.

Institutional Regulation: The Evolution of ESRS S1 and the European Experience. The EU regulatory environment changed significantly in 2025 after amendments to the ESRS (“Quick Fix”) were published. These changes are aimed at shifting from exhaustive data collection to materiality-driven reporting.

According to EFRAG (2025), the focus is moving toward demonstrating due diligence processes and identifying actual impacts on the workforce. This creates a new requirement for HC analytics: the ability to measure not only input resources, such as training costs, but also output results, including increased productivity and employee well-being.

Digital Transformation and AI in the Structure of Human Capital. The impact of artificial intelligence became a key mediator of HC value in 2025–2026. MDPI (2025) indicates that the use of AI improves ESG performance through changes in the workforce skill structure. The "Star Advantage" concept by Call, M. L., Nyberg, A. J., and Ployhart, R. E. (2025) emphasizes that, in the AI era, the ability to retain talent with augmented intelligence capabilities becomes a major factor in market valuation. At the same time, Alzeiby, M. adds that this gives rise to new social risks related to algorithmic management and the need for a "Just Transition" for workers whose skills are being automated.

Specific Features of Human Capital Management in the Ukrainian Context. Human Capital Management in Ukraine: Resilience and Recovery. A particularly important aspect of ESG strategy implementation in Ukraine is the transformation of human capital under wartime conditions and in the period of post-war recovery. For Ukrainian companies, human capital is increasingly seen as a source of strategic resilience. In this context, company value depends not only on current workforce performance but also on the ability to preserve core knowledge, expertise, and institutional memory despite large-scale migration and labor shortages [16].

Recent studies from 2024–2025 also show that both public and corporate investment in human capital, especially in education, digital skills, and healthcare, serves as a strong signal of stability for foreign investors. As a result, such investments can strengthen Ukraine's investment attractiveness in the context of post-war development [17]. At the same time, the implementation of ESRS S1 in Ukraine is becoming not only a transparency tool but also a mechanism for alignment with EU markets. This creates new opportunities for Ukrainian companies to integrate into the European sustainable development framework and attract financing for reconstruction and long-term growth [18].

Practical Recommendations. The transition to ESRS S1 standards requires management to develop a KPI system directly linked to financial performance.

According to the key performance indicators (KPIs) under ESRS S1, companies should quantify the following areas in order to enhance their investment attractiveness:

1. **DR S1-5 (Characteristics of employees):** Monitoring employee turnover. High turnover is regarded as “capital leakage.” Target KPI: reducing voluntary turnover in key business units.
2. **DR S1-12 (Training and skills development):** Number of training hours per employee. However, in the age of AI, the focus is shifting toward **Digital Skill Coverage %**.
3. **DR S1-15 (Remuneration metrics):** CEO-to-worker pay ratio. Significant inequality is an indicator of agency risks and potential social instability.

In addition, according to Call et al. (2025), companies should introduce differentiated retention strategies for “star employees” who generate exponential added value through AI. This includes not only financial compensation but also maintaining a strong ESG profile, since next-generation talent tends to prefer value-driven employers.

For reporting automation and data integrity through AI, Badmus (2025) recommends integrating AI directly into ERP systems for real-time data collection, which would ensure:

1. **Data Integrity:** Automatic detection of anomalies in occupational health and safety reporting or pay gap disclosures.
2. **Predictive Analytics:** Modeling the impact of changes in remuneration policy on WACC and market capitalization.

Limitations. Despite significant progress, substantial gaps remain:

1. **Endogeneity:** It is difficult to state unequivocally whether high-quality HC leads to an increase in company value, or whether financially successful companies simply have more resources for disclosure and for investing in personnel.
2. **Lack of EVA-focused research:** In the current state of the literature, there are critically few studies that isolate the effect of investments in human capital on Economic Value Added (EVA).
3. **Regulatory dynamics:** Most studies are based on data up to 2024, while the actual impact of ESRS S1 standards, especially after the 2025 “Quick Fix,” can only be properly assessed in 2026–2027.

Conclusions. Human capital can be seen as a key factor in creating company value in the era of sustainable development. Effective workforce management, supported by transparent reporting under ESRS S1 standards, creates a tangible financial effect through a lower cost of capital (WACC) and a higher market premium (Tobin’s Q). At the same time, the implementation of artificial intelligence acts both as a challenge to the existing skills structure and as a powerful tool for improving the quality of management and reporting. To maximize company value, management should integrate social KPIs into the overall financial strategy, with particular attention to the development of digital competencies.

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