FORUM

WHAT ARE THE HUMAN RESOURCES POLICIES AND PRACTICES MOST USED BY COMPANIES WITH THE BEST ESG RATIOS IN BRAZIL?

Quais são as políticas e práticas em recursos humanos mais utilizadas pelas empresas com melhores índices ESG no Brasil?

¿Cuáles son las políticas y prácticas de recursos humanos más utilizadas por las empresas con mejores índices ESG en Brasil?

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ABSTRACT

Research on the interaction between people management and sustainability in Brazil is recent, although it corresponds to a growing movement. The present study aimed to investigate which human resources policies and practices are most commonly used in Brazilian companies that stand out in ESG (environmental, social and governance) terms, and to find out, among these policies and practices, which would contribute the most to ESG ratings. For this purpose, the 106 Brazilian companies available in the Refinitiv ESG scores system were analyzed for the period from 2015 to 2019, considering the metrics for the category workforce (social dimension). Results showed that most ESG top-tier companies have already incorporated several workforce-related policies; however, the practice still lags behind the policy. Additionally, some metrics were identified as opportunities for improvement, such as the implementation of certain practices regarding the supply chain, the existence of a team focused on health and safety, and the implementation of training and development, as well as diversity and opportunity policies.

Keywords: sustainable human resources management, health and safety, diversity and opportunity, ESG in people management.

RESUMO

Pesquisas sobre a interação entre a gestão de pessoas e a sustentabilidade no Brasil são recentes, embora o movimento seja crescente. O presente estudo teve como objetivo investigar quais políticas e práticas em recursos humanos são mais comumente utilizadas por empresas brasileiras que se destacam em ESG (environmental, social and governance) e averiguar, entre essas políticas e práticas, quais contribuem mais fortemente para ratings em ESG. Para tanto, analisaram-se as 106 empresas brasileiras disponíveis no sistema Refinitiv ESG scores no período entre 2015 e 2019, no que tange às métricas sob a categoria de colaboradores (dimensão social). Os resultados demonstraram que grande parte das empresas nos níveis mais altos de ESG já incorporou diversas políticas relacionadas a colaboradores; no entanto, a prática ainda se encontra aquém das políticas. Adicionalmente, identificaram-se métricas que podem representar uma oportunidade de melhoria, como a aplicação de práticas junto à cadeia de suprimentos, existência de equipe focada em saúde e segurança e implementação de políticas voltadas a treinamento e desenvolvimento, diversidade e oportunidade.

Palavras-chave: *gestão sustentável de recursos humanos, saúde e segurança, diversidade e oportunidade, ESG em gestão de pessoas.*

RESUMEN

La investigación sobre la interacción entre la gestión de recursos humanos y la sostenibilidad en Brasil es reciente, aunque el movimiento está creciendo. Este estudio tuvo como objetivo investigar qué políticas y prácticas de recursos humanos más utilizan las empresas brasileñas que se destacan en ESG y averiguar, entre estas políticas y prácticas, cuáles contribuyen con mayor fuerza a la calificación ESG. Para ello, se analizaron las 106 empresas brasileñas disponibles en el sistema de puntuación ESG de Refinitiv entre 2015 y 2019, en términos de métricas bajo la categoría de empleados (dimensión social). Los resultados mostraron que la mayoría de las empresas de primer nivel en ESG ya han incorporado varias políticas relacionadas a los empleados; sin embargo, la práctica aún va a la zaga de las políticas. Adicionalmente, se identificaron métricas que podrían representar una oportunidad de mejora, como la aplicación de prácticas en la cadena de suministro, la existencia de un equipo enfocado en salud y seguridad y la implementación de políticas de capacitación, desarrollo, diversidad y oportunidad.

Palabras clave: *gestión sostenible de recursos humanos, salud y seguridad, diversidad y oportunidad, ESG en gestión de personas.*

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INTRODUCTION

The concept of sustainability is often defined as the ability to achieve a degree of development that meets the needs of the present while allowing future generations to meet their future needs (Armstrong, 2020).

Although sustainability aspects have been discussed for almost 70 years, ESG as a concept encompassing environmental, social, and governance aspects, emerged in 2004 from a letter the United Nations sent to the main financial institutions worldwide, inviting them to join an initiative to build stronger and more resilient financial markets through sustainable development (Compact, 2004). Since then – and especially in recent years – global institutional stakeholders and investors have demanded more sustainable investment options in financial markets (Bertolotti, 2020). In 2020, the estimated value of assets managed by funds looking at ESG practices in their investment analysis was over USD 40 trillion (compared to around USD 30 trillion in 2018 and USD 22 trillion in 2016) (Foubert, 2020).

Although there is no defined standard for disclosing ESG information, the growing demand from the capital market has pressured companies to adopt certain practices and reports. In most countries, there is still no mandatory disclosure of ESG information. However, it is estimated that more than 85% of S&P 500 companies and more than 90% of the largest global organizations disclose reports with some non-financial information (Ho & Park, 2019).

Given its relevance, there is a growing number of academic research on the topic, especially in developed economies. Mervelskemper and Streit (2017), for example, concluded that ESG practices seem to add value for companies. In addition, Lopez-de-Silanes, McCahery, and Pudschedl (2020) analyzed companies from the United States, United Kingdom, Japan, Switzerland, Australia, and France. The authors suggest that better disclosure of ESG information is correlated with reduced risk perception.

In Brazil, more ESG research is necessary given that sensitive Brazilian industries can be positively affected by social and corporate governance practices (Miralles-Quirós, Miralles-Quirós, & Gonçalves, 2018), and investment strategies linked to ESG may result in better risk-return weights in the long term (Jukemura, 2019).

The debate on sustainable development may bring significant changes to strategic people management and to companies that incorporate such management into their business vision (Pires & Fischer, 2014). In addition, the interaction between sustainability and human resources can bring cross-sectional benefits to organizations and their stakeholders, contributing to society's sustainable development (Mendes, 2013).

International studies link ESG ratings to employee performance. For example, Barrymore and Sampson (2021) suggest that a positive ESG performance positively and significantly affects work productivity. Liu and Nemoto (2021) understand that companies with higher ESG scores have competitive advantages in attracting and retaining talent. Skousen and Sun (2019) evaluated the MSCI ESG indicator between 1991 and 2015. The authors found a significant positive

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relationship between workforce performance, workforce-related metrics, and ratings assigned to the social dimension.

In Brazil, Alvares and Souza (2016) found that employee-oriented practices generate talent attraction and retention and positively affect the corporate image, workforce integration, financial performance, social capital, and employee satisfaction.

In this context, this study investigates (i) which policies and practices in human resources are most commonly used among Brazilian companies adopting the ESG concept, and (ii) among these policies and practices, which contribute to a better ESG rating from a business perspective.

The 106 Brazilian companies with data available in the Refinitiv ESG scores system between 2015 and 2019 were analyzed to observe the most frequent metrics in companies with good ESG performance and the contribution of these metrics to the respective ratings.

For Lourenço and Carvalho (2013), studies related to sustainable development in Brazil are mainly connected to the environmental and financial dimensions, with comparatively marginal social aspects (which represents an important gap in the literature). Additionally, research on the interaction between human resources and sustainability in Brazil is recent and incipient. Another aspect that deserves further research is that many executives and managers could not yet integrate people management into the culture of sustainability (Freitas, Souza, Teixeira, & Jabbour, 2013). This scenario follows the pace of the increasing demand for incorporating ESG into corporate management (Freitas et al., 2013). This study seeks to contribute in academic terms, helping to better understand the dialogue between human resources and sustainability while identifying potential ESG drivers for people management in Brazil.

Jiang, Takeuchi, and Jia (2021) suggest that companies are often based on the actions of their peers, and such behavior plays a critical role in providing helpful information for making investment decisions and innovating in people management. Therefore, this research represents a tool for companies, human resources professionals, and people managers to understand the current market better and expand their ESG policies and practices.

Additionally, although human capital is a fundamental object of study at the corporate level, investors started to observe metrics related to this issue only recently (Kotsantonis & Serafeim, 2020). This study may support financial analysts, portfolio managers, and investors in using social metrics when assessing investments.

This introduction briefly presented the ESG concept, considering its challenges in the current scenario and the expected contribution of this research to a dialogue between people management and ESG. The theoretical framework in the next section offers a review on the topic of workforce well-being and human resources policies and practices related to ESG. The third section describes the methodology, explaining the data selection and treatment, and the research's limitations of time and scope. The fourth and fifth sections present the results obtained from data analysis and a discussion on the findings, followed by the conclusion that shows the understandings and opportunities arising from this research in light of the available literature.

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BRIEF THEORETICAL FRAMEWORK ON WORKFORCE WELL-BEING AND HUMAN RESOURCES POLICIES AND PRACTICES ALIGNED WITH ESG

Workforce well-being

There is no consensus in the literature on the characterization of workforce well-being. Some studies suggest that the issue is primarily related to health and safety and the satisfaction of people – who work better in environments where they find such qualities (Juniper, 2011). However, recent studies demonstrate the relevance of other factors, such as connection, integration, civility, and perception of justice (Abid, Ahmed, Elahi, & Ilyas, 2020).

In general, it demonstrates that organizational support directly impacts the well-being of employees, especially concerning their values (Paschoal, 2008).

Diversity and opportunity

The literature points out that the diffusion of diversity programs in human resources is related to legal issues and – mainly – to competitive advantages, such as increased creativity, innovation, performance, new consumer markets, and productivity gains (Mendes, 2005).

Once implemented, these programs end up recognizing and promoting the difference between people or groups as a positive value, working as an instrument of social integration, for the benefit of the democratization of opportunities for access to the labor market (Reith & Rachid, 2014).

However, studies show that most companies in Brazil have difficulties related to workforce well-being and social sustainability, especially regarding diversity (Kobayashi, Eweje, & Tappin, 2018).

Relationship between human resource management and the supply chain

Christopher (2005) presents the supply chain as a network of organizations with processes, activities, and information exchange that generate value to the final consumer through products and services.

For Ganeshan and Harrison (2002), the supply chain refers to a distribution network that transforms, develops, and transports products and services. Santos and Pereira (2020) distinguish value chain and supply chain, defining the first as a set of interconnected activities to generate perceived or added value to the consumer, whereas supply chain is a set of multiple organizations involved with flows of resources, information, and monetary goods, which manufacture and move products toward the consumer.

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The literature shows growing interest and connection between human resources and supply chain management. The human factor has a central role in negotiation, communication, collaboration, systemic understanding, and integration (Siqueira & Alcantara, 2020).
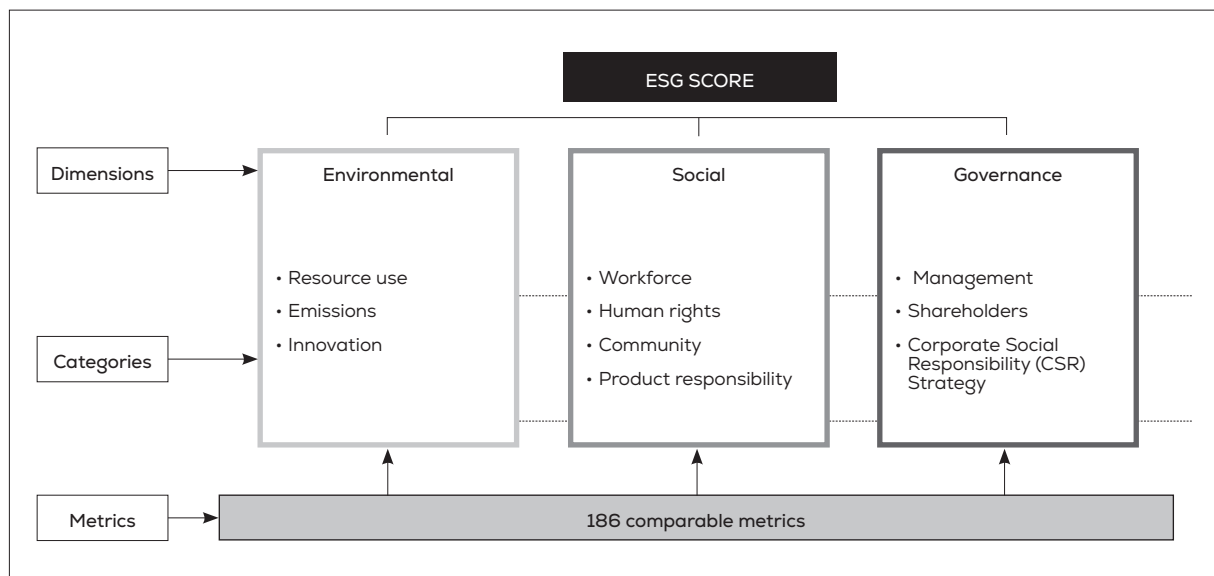
METHODOLOGY

This study conducted a quantitative analysis of data on ESG policies and practices in Brazilian companies, considering the category workforce.

Refinitiv Lipper Fund ESG Scores: ESG ratings and metrics

Refinitiv Lipper Fund ESG Scores (Refinitiv ESG Scores, or Refinitiv) was used to assess company-level ESG ratings and their underlying criteria. This system was used because it has more data on Brazilian companies compared to other systems. It checks public information the companies report on the three ESG dimensions (environmental, social, governance), subdividing the content into three or four categories per dimension (comprising a total of ten categories). The social dimension emphasized in this research has four categories: (i) workforce; (ii) human rights; (iii) community; and (iv) product responsibility (Figure 1).

The Refinitiv system analyzes a total of 186 metrics, which translate into comparable data points, to process the score in each category and respective dimension through boolean questions considering, altogether, materiality, data availability, and relevance for each metric by industry.

Figure 1. Refinitiv System: score composed of three dimensions (ESG), subdivided into 10 categories, measured using 186 comparable boolean metrics

Source: Based on Lipper Research (2020)

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The category workforce was evaluated with 11 out of the 186 metrics covering the ten categories. These metrics were distributed among three topics related to people management:

i. <u>Health and safety</u> – this topic assesses whether the company has (a) health and safety policy in the year analyzed; (b) health and safety policy focused on employees; (c) health and safety policy focused on the supply chain; (d) team focused on health and safety; (e) health and safety training for employees; (f) health and safety training for the supply chain; and (g) investment in health and safety improvements to the supply chain.

ii. <u>Training and development</u> – this topic assesses whether the company has (h) training and development policies; and (i) offers training and development on ESG-related practices through a third-party supplier.

iii. <u>Diversity and opportunity</u> – this topic evaluates whether the company has (j) Diversity and opportunity policies; and (k) internal targets related to Diversity and opportunity.

The Brazilian companies with information available in the Refinitiv system for the period between 2015 and 2019 were analyzed, corresponding to 106 organizations. This period was chosen because ESG practices have become more widespread in the investment industry since 2016, which means that many companies have only started to disclose ESG information in recent years. They are all publicly traded companies, listed or eligible for the main Brazilian sustainability indices, such as the Corporate Sustainability Index (ISE B3) and S&P/B3 Brazil ESG. Panel information was collected for the five-years, with a total of 406 observations (among the 106 companies).

Descriptive analysis

The sample profile considered the companies' sectors, the distribution of the observations regarding the ESG ratings, and the 11 metrics cited for the category workforce (also in relation to the ESG ratings). Additionally, Pearson's correlation analysis was performed on metrics and ratings.

Panel analysis: fixed-effects estimation model

A cross-sectional time series analysis was performed (with panel data), considering annual information for the five years from 2015 to 2019.

According to Crisci, D'Ambra, and Palleta (2014), fixed-effects models usually bring statistically consistent results for panel data. Recent research indicates that fixed-effect estimators are more appropriate and straightforward in analyzing panel data for corporate finance matters (Flannery

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& Hankins, 2013; Osterrieder, Palia, & Wu, 2020). Thus, a fixed-effect estimation model was adopted in the representativeness tests of the 11 analyzed metrics, considering the ESG ratings and the ESG for the social dimension (ESG_S).

The model adopted the general equation:

$$y_{it} = \alpha + \beta_1 x_{1\,it} + \beta_2 x_{2\,it} + ... + \beta_n x_{n\,it} + \eta_i + \varepsilon_{it} \qquad (1)$$

where:

y_{it} = ESG rating for a company i in year t
x_{1it} = Metric 1 for a company i in year t
x_{2it} = Metric 2 for a company i in year t
[…]
$x_{n\,it}$ = Metric n for a company i in year t

For representativeness testing purposes, the ESG ratings (consolidated, considering the three dimensions, E, S, and G) and ESG_S (considering the rating only on the social dimension) were used as dependent variables (y_{it}).

Additionally, the ESG metrics used as independent variables ($x_{n\,it}$) referred to the 11 metrics from the Refinitiv system and related to the category workforce, explained in letters (a) to (k) of the section on Refinitiv Lipper Fund ESG Scores.

Limitation of time and scope

Among the many systems providing ESG data, the Refinitiv system was adopted. By 2020, around 70 companies were providing some sort of ESG rating, not counting investment banks, financial institutions, government organizations, and research organizations (Li & Polychronopoulos, 2020). Given the absence of a clear and normative definition of metrics, standards, and weights in ESG, other scores or indices could be investigated, potentially providing different insights or results.

Regarding the sample profile, the research included only publicly traded companies, most of them present in Brazil's main sustainability and ESG indices, which can be considered a benchmark in ESG indicators. Because the disclosure of information on ESG is not mandatory, the availability of information on ESG is biased. In an attempt to mitigate this bias, all the companies with detailed information included in the Refinitiv database for the analyzed period were selected.

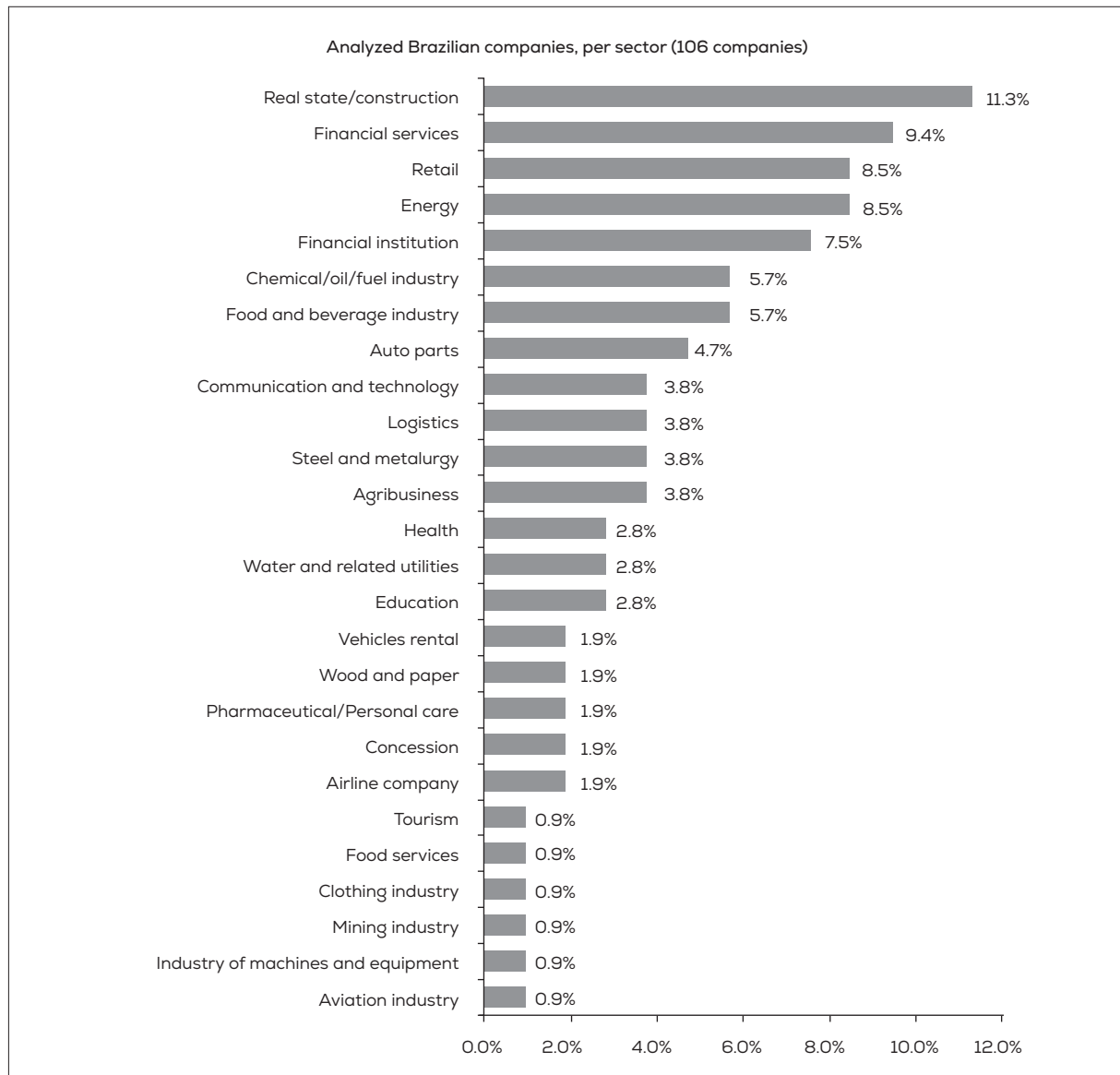Additionally, the study covered a period of only five years (from 2015 to 2019), noting that most companies are still adapting to the new demands imposed by the market in terms of ESG. This period may not be sufficient to find evidence of the relationships observed. In addition, the analyses presented show a past bias and do not incorporate future perspectives, projects, or regulations in implementation.

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RESULTS

Sample profile

Regarding the profile of the analyzed companies (Graph 1), it is observed that the segments are well diversified and distributed, with most companies (11.3%) coming from the real estate/construction sector. The following are the sectors of financial services (9.4%), retail (8.5%), energy (8.5%), financial institutions (7.5%), and chemical/oil/fuel industry (5.7%). Together, the representatives of these six sectors correspond to just over half of the companies in the sample (50.9%).

Graph 1. Breakdown of the 106 companies analyzed, by sector

Analyzed Brazilian companies, per sector (106 companies)

Sector	%
Real state/construction	11.3%
Financial services	9.4%
Retail	8.5%
Energy	8.5%
Financial institution	7.5%
Chemical/oil/fuel industry	5.7%
Food and beverage industry	5.7%
Auto parts	4.7%
Communication and technology	3.8%
Logistics	3.8%
Steel and metalurgy	3.8%
Agribusiness	3.8%
Health	2.8%
Water and related utilities	2.8%
Education	2.8%
Vehicles rental	1.9%
Wood and paper	1.9%
Pharmaceutical/Personal care	1.9%
Concession	1.9%
Airline company	1.9%
Tourism	0.9%
Food services	0.9%
Clothing industry	0.9%
Mining industry	0.9%
Industry of machines and equipment	0.9%
Aviation industry	0.9%

Source: Based on data from the Refinitiv system and the Brazilian stock exchange (B3)

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As for the distribution of the 406 observations regarding the ESG rating assigned by the Refinitiv system (Graph 2), the group mode is C+ (22.2%). The range from A+ to B+, which corresponds to the first four groups in terms of best practices, represents 27.8% of the sample, the first six groups (from A+ to B-) representing 51.5%, and the first seven groups (from A+ to C+) 73.6%, which can be roughly equated to the first, second, and third quartiles.

Graph 2. Breakdown of the 406 observations analyzed, by ESG rating according to the Refinitiv scores

Distribution of observations of ESG rating –
Refinitiv system (106 companies, 406 observations)
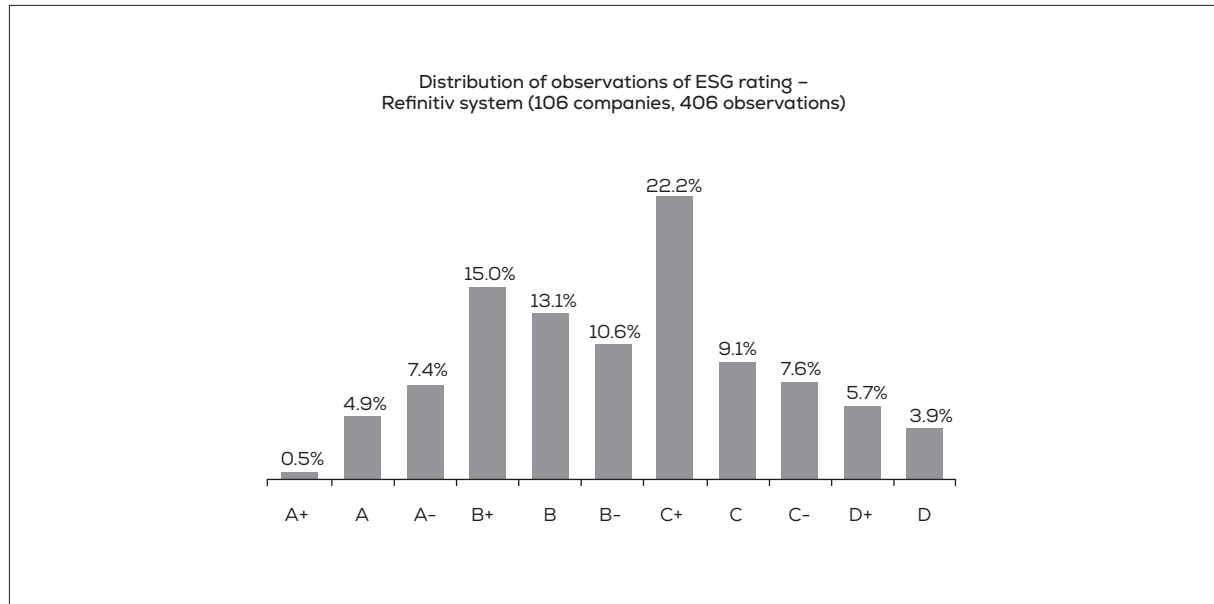
Source: Based on data from the Refinitiv system

Analysis of the application of health and safety policies and practices

Regarding health and safety (Table 1), 100% of the companies with an ESG rating between A+ and B+ (the first four groups in terms of best practices, or 27.8% of the sample) have policies focused on employees. However, this percentage drops to between 45.0% and 66.7%, depending on the rating, regarding policies focused on the supply chain. When observing all companies, the average is only 29.1% for the supply chain, compared to 78.8% for employees.

Health and safety training focused on employees is provided by 72.2% of the companies and by between 88.5% and 100% of companies classified in the first quartile. Also, 100% of companies classified as A+ and between 78.7% and 90.0% of companies classified as A to B+ have a team focused on health and safety practices (only 8.7% of companies classified as D+ have such a team).

However, health and safety training focused on the supply chain ranged from zero to 30.0% in the highest segments (from A+ to B+), corresponding to 13.1% of the total companies analyzed – significantly lower than the percentage of companies observed for training focused

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on employees (72.2%). In segments B- to D (which corresponds to 59.1% of the sample), the percentage of companies that provide training to stakeholders varies between zero and 8.9%, depending on the category, far below the percentages observed for training focused on employees.

Additionally, investments in health and safety improvements to the supply chain proved to be even scarcer: only 2.5% in the general average, with occasional presences only in the A- and B+ segments.

Table 1. Percentage of companies that apply health and safety policies and practices, by ESG rating (from "A+" to "D")

ESG Rating	Health and safety policy	Health and safety policy focused on employees	Health and safety policy focused on the supply chain	Team focused on health and safety	Health and safety training for employees	Health and safety training for the supply chain	Investment in health and safety improvements to the supply chain
A+	100.0	100.0	50.0	100.0	100.0	-	-
A	100.0	100.0	45.0	90.0	95.0	25.0	-
A-	100.0	100.0	66.7	80.0	100.0	30.0	6.7
B+	100.0	100.0	49.2	78.7	88.5	27.9	13.1
B	86.8	84.9	20.8	60.4	83.0	15.1	-
B-	93.0	88.4	25.6	67.4	90.7	7.0	-
C+	91.1	90.0	28.9	67.8	85.6	8.9	-
C	51.4	46.0	5.4	21.6	32.4	-	-
C-	48.4	48.4	22.6	25.8	29.0	6.5	-
D+	52.2	47.8	4.4	8.7	30.4	4.4	-
D	-	-	-	-	-	-	-
Total	80.5	78.8	29.1	57.1	72.2	13.1	2.5

Source: Based on data from the Refinitiv system

Analysis of the application of training and development policies and practices

Among companies with ESG ratings between A+ and B+ (approximately the first quartile), 100% have training and development policies focusing on ESG (Table 2). This percentage corresponds to 82.5% when considering the complete sample (reaching 17.4% at level D+ and zero at level D).

Comparatively, only 26.9% of the companies use a third-party supplier to offer training and development on ESG-related practices. There is a substantial disparity between those with the

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highest ESG ratings (100% for companies considered A+) and the lowest (3.2% for companies considered C- and 4.4% for D+).

Table 2. Percentage of companies applying training and development policies and practices, per ESG rating (from "A+" to "D")

ESG Rating	Training and development policies	Training and development on ESG-related practices using a third-party supplier
A+	100.0	100.0
A	100.0	75.0
A-	100.0	73.3
B+	100.0	50.8
B	96.2	11.3
B-	97.7	18.6
C+	92.2	22.2
C	67.6	8.1
C-	54.8	3.2
D+	17.4	4.4
D	-	-
Total	82.5	26.9

Source: Based on data from the Refinitiv system

Analysis of the application of diversity and opportunity policies and practices

Regarding the issue of diversity and opportunity (Table 3), it can be observed that 100% of the companies with ESG ratings between A+ and B+ (approximately the first quartile) have policies related to the topic. For the entire sample, this percentage corresponds to 77.6% (reaching 43.5% at ESG level D+ and zero at D).

However, the practice of targeting diversity and opportunity does not follow the same pace observed for having policies related to the subject: in companies with an ESG rate of A+, the percentage reaches 50% (or half of the companies that have diversity policies also have internal targets related to diversity and opportunity); reducing the frequency to 20% at level A, 10.0% at A-, and 16.4% at B+. In the full sample, the percentage is only 6.2%. This practice is not observed in companies with lower ESG ratings (from C to D, which corresponds approximately to the last quartile).

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Table 3. Percentage of companies applying diversity and opportunity policies and practices, per ESG rating (from "A+" to "D")

ESG Rating	Diversity and opportunity policies	Internal targets related to diversity and opportunity
A+	100.0	50.0
A	100.0	20.0
A-	100.0	10.0
B+	100.0	16.4
B	94.3	1.9
B-	69.8	2.3
C+	80.0	5.6
C	48.7	-
C-	71.0	-
D+	43.5	-
D	-	-
Total	77.6	6.2

Source: Based on data from the Refinitiv system

Pearson's Correlation Analysis

Table 4 shows the correlation of variables for the analyzed dataset.

Table 4. Correlation between selected variables, considering 406 observations

	ESG Rating	Health and safety policy (a)	Health and safety policy focused on employees (b)	Health and safety policy focused on the supply chain (c)	Team focused on health and safety (d)	Health and safety training for employees (e)	Health and safety training for the supply chain (f)	Investment in health and safety improvements to the supply chain (g)	Training and development policies (h)	Training and development on ESG-related practices using a third-party supplier (i)	Diversity and opportunity policies (j)	Internal targets related to diversity and opportunity (k)
ESG Rating	1											
(a)	0.5596*	1										
(b)	0.5675*	0.9481*	1									
(c)	0.3462*	0.3146*	0.2787*	1								
(d)	0.5252*	0.5676*	0.5986*	0.1816*	1							
(e)	0.5864*	0.7915*	0.7810*	0.3370*	0.6060*	1						
(f)	0.2692*	0.1905*	0.2009*	0.5087*	0.2617*	0.2406*	1					
(g)	0.1584*	0.0781	0.0824	0.2483*	-0.055	0.0987*	0.2214*	1				
(h)	0.6168*	0.5927*	0.6183*	0.2233*	0.4923*	0.5966*	0.1784*	0.0732	1			
(i)	0.4761*	0.2837*	0.2869*	0.3589*	0.2663*	0.3638*	0.4746*	0.0472	0.2643*	1		
(j)	0.5438*	0.3475*	0.3429*	0.2400*	0.3103*	0.3515*	0.1732*	0.0854	0.3123*	0.1390*	1	
(k)	0.2405*	0.1259*	0.1328*	0.4002*	0.0976*	0.1591*	0.2961*	0.3559*	0.1179*	0.1916*	0.1377*	1

(*) 5% significance level

Source: Based on data from the Refinitiv system

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In this context::

- most of the correlations are statistically significant at the 5% significance level, which, in principle, indicates that the sample size is reasonable for the analysis (Figueiredo & Silva, 2009);

- all correlations between variables are positive (with the exception of the relationship between the existence of a health and safety team (d) and health and safety improvements for the supply chain (g), which, however, is not statistically relevant);

- strong correlations (above 0.70) were found only between: (i) the existence of a health and safety policy and a health and safety policy focused on employees (0.95); (ii) the existence of a health and safety policy and health and safety training for employees (0.79); and (iii) the existence of a health and safety policy focused on employees and health and safety training for employees (0.78); and

- the other correlations found between the variables ranged from median to weak – potentially due to non-linearity between the variables or discontinuity effects in the data distribution (Hole, 2014).

Panel analysis: fixed-effects estimation model

Table 5 shows the results of the analysis:

Table 5. Results of panel estimation considering ESG and ESG_S as dependent variables and category workforce metrics as independent variables

	ESG		ESG_S	
(a) Health and safety policy	–0.377		–0.147	
	[-1.10]		[-0.24]	
(b) Health and safety policy focused on employees	0.480		0.372	
	[1.56]		[0.61]	
(c) Health and safety policy focused on the supply chain	–0.150		–0.324	
	[-0.5]		[-0.81]	
(d) Team focused on health and safety	0.499	***	0.873	***
	[3.28]		[3.40]	

(Continue)

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Table 5. Results of panel estimation considering ESG and ESG_S as dependent variables and category workforce metrics as independent variables

(Concludes)

	ESG		ESG_S	
(e) Health and safety training for employees	0.040		-0.291	
	[0.2]		[-1.01]	
(f) Health and safety training for the supply chain	0.192		0.318	
	[0.58]		[0.80]	
(g) Investment in health and safety improvements to the supply chain	0.457	*	0.463	*
	[1.76]		[1.67]	
(h) Training and development policies	1.086	***	1.332	***
	[4.08]		[3.27]	
(i) Training and development on ESG-related practices using a third-party supplier	0.166		0.284	
	[0.76]		[0.96]	
(j) Diversity and opportunity policies	0.508	***	0.833	***
	[3.08]		[3.54]	
(k) Internal targets related to Diversity and opportunity	0.312		0.339	
	[1.09]		[1.23]	
Constant	4.322	***	4.068	***
	[17.53]		[11.72]	
Number of observations	406		406	
Groups	106		106	
F stat	6.31		5.360	
Prob > F	0.0000		0.0000	
R2	0.576		0.522	
Rho	0.886		0.816	

Note: Each column represents a regression. Letters were used as attributed for letters (a) to (k) of the section on the Refinitiv Lipper Fund ESG Scores system. Regressions were estimated using fixed effects. References (*), (**), and (***) indicate significance level of 10%, 5%, and 1%, respectively. The t statistics are shown in brackets. The F, R3, and Rho statistics are reported as part of the diagnostic.

Source: Based on data from the Refinitiv system

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- Statistically representative coefficients were found for:

    * existence of a team focused on health and safety (d). This item appears to be more relevant to the ESG_S rating than to the ESG;

    * health and safety improvements for the supply chain (g);

    * training and development policy (h). This metric proves to be quite representative in the assignment of both the ESG and ESG_S ratings; and

    * the diversity and opportunity policy (j), also apparently contributing substantially.

No statistically significant relationships were found for the other metrics.

DISCUSSION

This study investigated: (i) which human resources policies and practices are most commonly used among Brazilian companies adopting the ESG concept; and (ii) which contributes to achieving a better ESG rating.

Regarding the sample profile, there is no way to infer whether the highest percentage of Brazilian companies in the sectors of real estate/construction, financial services, financial institutions, retail, energy, chemical/oil/fuel industry is in fact related to these sectors' interest regarding the implementation and disclosure of ESG information, or if the observed profile corresponds to a market characteristic of the listed companies in the country. At the international level, a study conducted by the KPMG (2020) with 52 countries identified sectors that proportionally presented the highest number of sustainability reports: (i) technology, media, and telecommunications; (ii) mining; (iii) oil and gas; (iv) chemical industry; and (v) pulp and paper industry.

When considering the broad spectrum of (i) market sectors in which the companies studied operate and (ii) the distribution of observations in terms of ESG rating, the diversity of the sample and the wide range of companies and sectors interested in disclosing information related to ESG in Brazil stand out, at the different levels of maturity regarding sustainable policies and practices.

Regarding the study's first objective, the descriptive analysis of the specified metrics showed that:

- the policies related to the topics examined (health and safety, training and development, and diversity and opportunity), when focused on employees, are already shown as market practices for all companies with high ESG ratings, reaching median proportions in companies with low ESG ratings;

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- however, practical and tangible applications related to the topics seem, at first, to be less frequent, such as (i) the existence of a team focused on health and safety; (ii) the existence of ESG training carried out by third-party specialists in the field; or (iii) the existence of internal targets regarding diversity and opportunity.

In response to the second question about the policies and practices that could contribute to a better ESG rating, and based on the analysis above, there appear to be opportunities in implementing:

i. teams focused on health and safety. The literature points out that the availability of resources focused on health and safety at work contributes to the success of actions and health promotion in companies (Chaves, Santana, Leão, Santana, & Lacerda, 2009);

ii. health and safety improvements to the supply chain. As observed, investments in effective improvements in the supply chain were still scarce (average of only 2.5%), although it is suggested that such practices can have positive effects in overcoming barriers to integration (Abreu , 2016).

iii. training and development policy. In general, it is related to organizational strategy and is seen in the literature as a competitive advantage for companies that implement it (Freitas, 2012).

iv. diversity and opportunity policy. According to the literature, such policies serve the debate on diversity management in Brazilian companies – which differs from practice, where advances have been slow (Neves, 2020; Saraiva & Irigaray, 2009). The theme has been associated with market differentiation in companies (Neves, 2020).

CONCLUSION

Discussions regarding human resource management indicators in line with sustainability practices have only gained strength and traction in recent years – many professionals are still adapting to the application and use of such concepts (Freitas et al., 2013). However, this interaction can bring cross-sectional benefits to organizations and their stakeholders, contributing to society's sustainable development (Mendes, 2013).

This study sought to identify which human resources policies and practices are most commonly used among Brazilian companies that adopt the ESG concept, observing the elements of health and safety, training and development, and diversity and opportunity.

In line with the results found by Skousen and Sun (2019), our study also showed a significant positive relationship between the metrics related to the category workforce and the ESG ratings or the ESG ratings specifically in the social dimension.

The analyzed data show that formal policies on people management issues may have emerged in response to stakeholders' demands, guided by a greater degree of employee awareness and well-

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being. However, there still seems to be a relevant way for the practices arising from such models to be effectively incorporated into management. The results of this study are in line with Vasconcelos (2004), who points out that the practical implementation of changes in people management does not occur as quickly as the change of discourse, and the transition period and the distance between theory and practice can lead to negative consequences for productivity.

Additionally, our results show the relationship with the supply chain is distant, both in the existence of policies (health and safety, for example) and in the application of practices (such as training or implementation of improvements), although recent literature demonstrates a growing interest in the interconnection between the principles and practices of human resource management and supply chain management (Siqueira & Alcantara, 2020). In this sense, Farndale, Paauwe, and Boselie (2010) believe that the internal human resources function needs appropriate and formal governance principles to maximize practices related to the supply chain, suggesting that informal mechanisms are generally flawed and ineffective. Additionally, Menon (2012) identified that certain policies and practices in human resources (including training and development) are positively related to better integration of the supply chain and employee well-being.

Regarding the metrics that, in our view, could contribute to a better ESG rating, we identified opportunities for (i) implementation of teams focused on health and safety; (ii) health and safety improvements to the supply chain; (iii) implementation of training and development policy; and (iv) implementation of a policy related to diversity and opportunity. Undoubtedly, such topics are widely debated and disseminated in the literature as a possibility of improving performance in several aspects (Abreu, 2016; Chaves et al., 2009; Freitas, 2012; Neves, 2020; Timm & Gray, 2017). However, Kotsantonis and Serafeim (2019) state that the inconsistency of formats, periodicity, and measurement of data reported in ESG can lead to significantly different results, whether this difference is observed between companies of the same group for a given rating or between different ratings in relation to the same company – so that the metrics found may suggest opportunities based on the Refinitiv system but are not necessarily consistent with other ESG ratings or scores.

Finally, based on a study carried out in Italy, Clementino and Perkins (2020) suggest there is no single answer to the evaluation of ESG ratings. The adjustments to comply with certain metrics are heterogeneous and adaptable according to management's perception of how much the internalization of suggested policies and practices could add in terms of value to the business.

Contributions to academia and business practice

This research aims to fill the gap in the academic literature related to (i) social aspects in ESG, seen marginally in Brazil compared to the environmental and financial dimensions (Lourenço & Carvalho, 2013); and (ii) integration between the views on people management and sustainability (Freitas et al., 2013). In this sense, in line with international results (Skousen & Sun, 2019), a significant positive relationship was identified between metrics related to the category workforce in Brazil and ESG ratings and ESG ratings specific for the social dimension.

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Regarding business practice, this study is a tool for companies, human resources professionals, and people managers and provides a better view of the current market and potential opportunities for implementing policies and practices compared to benchmarks – which proves useful for decision making and innovation (Jiang et al., 2021). In this case, metrics related to health and safety, training and development, diversity and opportunity, and policies and practices related to the supply chain were identified as drivers.

Additionally, given that investors have recently started to observe and include ESG-related metrics in their investment analyses (Kotsantonis & Serafeim, 2020), it is expected that this study will help capital market agents such as financial analysts, portfolio managers, and individual investors who will be able to observe certain metrics to attribute value when conducting their assessments.

Limitations and directions for future investigation

In terms of approach, this study was limited to: (i) the number of companies analyzed; (ii) the Refinitiv system; and (iii) the metrics evaluated. Considering that ESG is still a heterogeneous subject and that different rating providers can lead to significantly different results (Li & Polychronopoulos, 2020), we suggest carrying out new analyses related to the social dimension and the category workplace under the perspective of other information systems in ESG.

Additionally, as noted in the section about the limitations on time and scope, this study covered five years (from 2015 to 2019), with most companies still adapting to the new demands imposed by the market from a voluntary and poorly regulated perspective. The ESG concept is still converging and consolidating in global markets, and its regulation is in process in Brazil – especially in publicly traded companies. In this sense, the forecast for the implementation of ESG information disclosure standards in the "practice or explain" model, from 2023 – according to the Brazilian Securities and Exchange Comission (CVM) Resolution 59, of December 22, 2021 (2021) – should increase the availability of information published and therefore the field of academic research in the coming years. Also, this creates space and demand for more professionals working in the area of people management in line with ESG.

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AUTHOR'S CONTRIBUTION

Melissa Velasco Schleich worked on the conceptualization and theoretical-methodological approach, theoretical review, data collection, data analysis, and finally, the writing and final review of the manuscript.