Influence of Political Connections on the Disclosure of Social and Environmental Information

ABSTRACT

Objective: To analyze the influence of political connections on the disclosure of social and environmental information.

Method: The survey sample is composed of 370 companies listed on B3. To determine the level of socio-environmental disclosure, the sustainability reports for 2016 were analyzed, based on the guidelines of the Integrated Report (IR). As for the political connections, the existence of political or government shareholding in companies was analyzed, as well as the donations made by the companies to the electoral campaigns, both in 2014.

Originality / Relevance: The discussion in the national academic environment about the reflexes caused by the connections established between companies and government, especially considering the socio-environmental disclosure as the affected side, is still incipient.

Results: The results do not allow to assess the real effect of the political connections on the socio-environmental disclosure index, but there are indications of a negative influence in this scope. The influence of size, company participation in the ISE portfolio and the company's performance in a regulated segment, on the level of social and environmental disclosure, are explained by the Theory of Legitimacy.

Theoretical/methodological contributions: There are indications that, in Brazil, the effect of political connections on socio-environmental disclosure may be negative, due to the weak institutional environment, with deficient rules and regulations. It is important to pass on this information, given the growing economic, social and environmental impact of companies in the region in which they operate and in society.

Keywords: Political Connection; Government; Social and Environmental Disclosure; Sustainability Report.

Sirlene Koprowski
Universidade Comunitária da Região de Chapecó (Unochapecó), Santa Catarina, Brasil
E-mail: sirlene.koprowski@unochapeco.edu.br

Marcelo Nardi
Universidade Comunitária da Região de Chapecó (Unochapecó), Santa Catarina, Brasil
E-mail: mcenardi@unochapeco.edu.br

Denise Isabel Rizzi
Universidade Federal de Santa Catarina (UFSC), Santa Catarina, Brasil
E-mail: deniserizzi@unochapeco.edu.br

Sady Mazzioni
Universidade Comunitária da Região de Chapecó (Unochapecó), Santa Catarina, Brasil
E-mail: sady@unochapeco.edu.br

Geovanne Dias de Moura
Universidade Comunitária da Região de Chapecó (Unochapecó), Santa Catarina, Brasil
E-mail: geomoura@terra.com.br

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1 INTRODUCTION

The Brazilian economy, to a certain extent, has always been dependent on the state, due to its investment capacity and consequent economic leverage. In the 1990s, the privatization of some companies in certain sectors in Brazil, associated with low governmental investment, forced companies to seek financing alternatives. Among them, the political connections emerged, which correspond to the means of interconnecting the companies with the government (Huang & Zhao, 2016; Macedo, Silva, & Machado, 2015).

Political connections occur through relations between companies and politicians and both of them aim their own interests (Pinheiro, Luca, & Vasconcelos, 2016). The companies, because of their dependence on resources, seek, through the signing of political ties, to satisfy their interests while protecting themselves from adverse scenarios that may modify the political connection established. Political members, on the other hand, are aware of the diverse needs of companies for resources and privileged information and thus use this relationship in order to increase their credibility and earn a reputation (Camilo, Marcon, & Bandeira-de-Mello, 2012a).

In environments with intense regulation regarding to political conflicts of interest and more transparent systems for disseminating information to users, political connections generally occur to a lesser degree. Probably, the last factor stems from the easy identification of these relationships provided by data disclosure. In contrast, such links become more common in countries with higher levels of corruption (Faccio, 2006).

Brazil is considered a country with high levels of corruption, a condition reiterated in the Transparency International's corruption perception index (2017), in which the country ranked 96th, admitting that the list contained 180 countries and was organized in increasing order of corruption. In addition to the problem of corruption, there is a deficiency of the country's legal system in offering guarantees to private investors, as well as factors favoring political connections, such as political structure, clientelistic relations, lack of a strong business association, among others (Camilo *et al.*, 2012a).

While the current Brazilian scenario makes it appropriate for political interconnections between companies and government, there is also a growing pressure over the organizations to assume a responsible and correct attitude, from the community, investors, suppliers, consumers and other stakeholders, interested not only in economic and financial information, but also in the disclosure of social and environmental information (Czesnat & Machado, 2012).

The increase in the disclosure of socio-environmental information by the organizations can be observed due to the concern of the companies that may be held responsible for the society and the environment in which they work, and disclosure of this information acts as an instrument of legitimation (Sampaio, Gomes, Bruni, & Dias Filho, 2012). In this conception, social legitimacy is obtained by companies when their values and beliefs align with those whom society judges as correct (Czesnat & Machado, 2012).

Assuming the suppositions of the Theory of Legitimacy, there are certain social contracts of the companies with the society in which they are inserted, which permeate a set of explicit and implicit expectations between the two parties in relation to how organizations should act (Dias Filho, 2007; Muttakin, Mihret & Khan, 2018).

In the academic milieu, the political connection theme has been the recent target of several studies that have approached its relation with different variables, such as performance (Pinheiro *et al.*, 2016), market value (Camilo, Marcon, & Bandeira- de-Mello, 2012b),

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analysts' perception (Macedo *et al.*, 2015); property structure (Brey, Camilo, Marcon, & Alberton, 2011).

In view of the above, it can be seen that the effects of political connections in relation to the disclosure of social and environmental information in Brazilian companies are still barely investigated, resulting in an interesting gap that provided the research question: what is the influence of the political connections in the disclosure of socio-environmental information? In this way, the objective is to analyze the influence of political connections on the disclosure of social and environmental information.

Although some researches have shown that there is a positive effect of political connections on the level of disclosure of information regarding corporate environmental responsibility, such as Dicko, Khemakhem and Zogning (2019), Huang and Zhao (2016) and Zhang (2017), and others, such as Cheng, Wang, Keung and Bai (2017) and Muttakin *et al.* (2018) found that connections are associated with reduced disclosures. Thus, the study is justified by the importance of analyzing the effects of the company-government relationship on the transfer of socio-environmental information to the stakeholders, admitting the current Brazilian political context.

As a contribution to the academic environment, evidence suggests that in Brazil the effect of political connections on socio-environmental disclosure may be negative, as a result of its institutional environment being considered weak, with deficient rules and regulations. In these environments, connections can facilitate access to subsidies, financing with lower interest rates, fiscal benefits, rendering the need to disclose information as less important.

Another contribution of the research refers to the proposition that the size of the company, the participation in the ISE portfolio and the performance in a regulated segment have a positive influence on the socio-environmental disclosure level and that this aspect is in conformity with the assumption of the Theory of Legitimacy.

Regarding the practical and social question, the study aims at contributing to understand and discuss about how the relationships established between companies and government, well known in the Brazilian context but barely studied, interfere in the practice of disclosure of social and environmental information of organizations. The economic, social and environmental impact that companies cause in communities, regions and countries is highlighted, making it essential to pass on information about their actions to society in general.

2 THEORETICAL REFERENCE
2.1 Evidence of Socio-Environmental Information

Society has been putting a heavy strain on governments and companies to reduce the impacts of business activities, such as pollution of the atmosphere, environmental degradation, groundwater scarcity and pollution, as well as unemployment, corruption, discrimination and social inequalities. Consequently, governments and companies have sought to practice their activities in a sustainable manner, reconciling the responsibility of promoting solutions that meet the needs of a population without compromising resources for future generations (Leite Filho, Prates & Guimarães, 2009).

In order to harmonize the financial issue with the emerging thinking about the environment, the information inherent to sustainability has become indispensable over the years (Elkington, 2012).

To disclose is to divulge information on the economic, financial, social and environmental performance of the entities to the social partners (stakeholders), considering

that financial statements and other disclosure information must not be misleading (Tinoco & Kraemer, 2004). Thus, in order to obtain more transparency from corporate activities and to reconcile information focused on the non-financial issues of the organization, some sustainability reporting models were implemented, such as the Global Reporting Initiative (GRI), the IBASE report, the Accounting Balance of the Nations , among others (Silva, 2014).

The GRI is currently the most usual model used by companies to report on sustainability activities. It is also the only model accepted worldwide and since its start in 1997, the entity has focused its activities on developing a standard for reports that address the aspects related to the economic, social and environmental sustainability of organizations. They are also routine and comparable, such as financial reporting, as pointed out by the Ethos Institute, which is a civil society organization for public interest (OSCIP) whose mission is to mobilize, raise awareness and help companies to manage their businesses in a socially responsible manner.

Despite this significant acceptance by companies regarding the GRI guidelines, there are studies that criticize the current guidelines of this model, producing arguments about a temporal disconnection of the model, for not indicating medium and long term information, only showing current information. Another negative point concerns the fact that the GRI contains scattered, numerous and statistical information, impeding a comprehensive understanding of the issues (Freitas & Freire, 2017; Lozano & Huisingh, 2011).

In 2013, a new approach was presented by the International Integrated Reporting Council (IIRC), a more modern and comprehensive model for the preparation and dissemination of financial and non-financial information to the market. Named as an Integrated Report (IR), it seeks to gather relevant information about a company's strategy, governance, performance and perspectives in order to reflect the commercial, social and environmental context in which it operates, assisting managers in decision making (Perez Júnior, Olivieri Neto, & Silva, 2014).

The IR assumptions align with the demands for more prudent information and seek to mobilize businesses and the capital market to re-evaluate the external understanding of value creation in the short, medium and long term. In this context, companies should be more clear about driving businesses value and managing them more properly. In the same way, capital providers would consider the opportunity with a future perspective in the valuation of companies and their investment decisions (Nichi, 2016).

Ricardo, Barcellos and Bortolon (2017) investigated possible factors influencing the probability of publication of the sustainability report or IR, analyzing 386 companies listed in B3 in the years 2011 to 2014. The study found that size and the company's participation in the ISE portfolio positively impact its likelihood of publication of one of the reports.

Another relevant national study is that of Murcia (2009), which investigated the factors that explain the level of voluntary disclosure of publicly listed companies in Brazil. The sample of the study was composed of the 100 largest non-financial companies listed in B3 and the analysis of the voluntary disclosure was made from the Standardized Financial Statements (SFS) for the year ended in 2007. In the socio-environmental disclosure model, the significant variables were market performance (Tobin Q), sector and control source. The results showed that large companies and those with better corporate governance practices had higher levels of voluntary disclosure. It also found that sector regulation, specifically in the electricity sector, was a significant factor to explain the level of voluntary disclosure of publicly traded companies.

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2.2 Political Connections and Evidence of Socio-Environmental Information

With the privatization process, which marked the 1990s in Brazil, the government became part of the corporate structure of several companies in the private sector. The consequence of such participation may lead to government interference in the definition of objectives and strategies, besides the performance and survival of these organizations (Brey *et al.*, 2011).

This scenario provides a dual relationship of interest between companies and the government. First, companies, in need of financing sources for debt settlement and for investments in business, or, simply by acting in a segment that has strong regulation, seek to intensify their political strategies. On the other hand, the government plays a leading role in the economy, in the control and release of financial resources, in the deliberation of public policies and even in the capital composition of the companies as a shareholder (Camilo *et al.*, 2012b).

Some social scientists denominate the relations between government and company as clientelism, precisely as the expression suggests: the company offers support to the politician and this one, in turn, will act on the interests of its client (Lazzarini, 2011). These relationships, also called political connections, are disseminated in Brazil, even with the mechanisms of market institutions, which fail to capture all the existing forms and their consequences (Camilo *et al.*, 2012b).

There are several possibilities for a company to be politically connected. Based on the literature review and considering concepts from several other authors, Macedo *et al.* (2015) highlights the types of existing political connections, classifying them as explicit and implicit, according to Figure 1.

EXPLICIT	IMPLICIT
Ownership structure: government and its organizations as shareholders of the company;	Ownership structure: participation in companies through a pyramid structure, that is, the government is a partner of one company and that company is the owner / partner of another;
Board of directors and other councils: presence of politician, ex-politician, generally affiliated with political parties or senior officials on councils or board of directors;	Board of directors and other councils: people who are connected, however, do not have party affiliation or history of liaison with the government;
Campaign Financing: donation of the company and / or its partners to political campaigns;	Campaign Financing: donations from council members to political campaigns;

Figure 1. Types of political connections
Source: Adapted from Macedo, J. M.A., Silva, C. A. T., & Machado, M. A. V. (2015). Conexões políticas e as empresas brasileiras: um estudo experimental sobre as decisões de investimento no mercado de capitais. *Advances in Scientific and Applied Accounting*, *8*(2), 157-178.

Organizations that are connected to the government or to some politician, through some of the forms shown in Figure 1, can use this political strategy as a way to add value to themselves and increase their performance (Macedo *et al.*, 2015). As with this aspect, one can notice that political connections may result in an increase in firm value, as demonstrated by Camilo *et al.* (2012b), who used Tobin Q and market-to-book indicators and realized that companies enjoyed the benefits of these relationships in periods of increased political uncertainty. Claessens, Feijen and Laeven (2008) found that in the 1998 and 2002 electoral campaigns, Brazilian companies that donated resources to elected federal deputies had higher share returns in relation to companies that did not perform such a procedure, moreover a substantial increase in bank financing.

In addition to better performance, political connections can influence companies to obtain key resources more easily, such as long-term bank loans at lower interest rates, tax benefits and government subsidies, which help to reduce financial constraints that hinder socio-environmental investments. Thus, there may be greater encouragement of companies for this type of investment (Huang & Zhao, 2016; Zhang, 2017). It should also be noted that politically connected companies, often in return for the benefits obtained, must meet the needs of the government, such as taking care of socio-environmental aspects (Huang & Zhao 2016).

In this sense, in order to maintain and reinforce the connections, companies may try to fill the needs of the government and assume social responsibilities, which originally would not correspond to them (Lin, Tan, Zhao & Karim, 2015). According to Siegel (2009) and Zhang (2017), politically connected companies are more likely to receive attention from stakeholders in general. Therefore, they tend to become more involved in socio-environmental practices, aiming at improving their reputation and enhance relations with workers, customers, suppliers, government and society in general.

Another important aspect concerns the fact that when the government fails to provide adequate public services, it seeks to facilitate additional funding so that companies are also involved in actions that benefit society. Therefore, the Government can informally pressure the politically connected companies to carry out and disseminate more social and environmental information (Zhang, 2017).

On the other hand, the existence of connections can shift the companies' focus to political objectives, such as providing unnecessary jobs, employing unskilled politicians in various positions, or raising wages of politically connected employees, for example. There may also be reluctance to start employees' layoffs to reduce operating costs. These characteristics that increase the cost tend to discourage socio-environmental initiatives, making them inconvenient for managers (Cheng *et al.*, 2017; Huang & Zhao, 2016; Liedong & Rajwani, 2018).

In general, managers are reluctant to incur expenses that do not provide immediate financial benefits. And, socio-environmental actions may require significant investments in new equipment and functional coordination of employees, while rewards may materialize in the long run. Furthermore, in less developed countries, the benefits that companies obtain through political connections, such as lower interest financing, fiscal benefits, ease of access to subsidies, reduce the need to take actions and disclose socio-environmental information because they will not provide additional benefits (Muttakin *et al.*, 2018; Zhang, 2017). Authors such as Cheng *et al.* (2017), Dicko *et al.* (2019) and Muttakin *et al.*, (2018) describe that in less developed countries, political connections are used as a form of insurance against non-compliance with regulatory aspects and lack of disclosure of information.

In this context the research hypothesis is established:

There is a negative relationship between political connections and the level of socio-environmental evidence.

It is expected that in Brazilian publicly traded companies the political connections influence to reduce the level of socio-environmental disclosure, in a similar way to the studies of Cheng *et al.* (2017) and Muttakin *et al.*, (2018).

3 METHODOLOGICAL PROCEDURES

To reach the objective, a descriptive, documentary and quantitative approach was carried out. The research population comprises 441 companies listed in B3, belonging to the

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various economic segments, of which 71 were excluded because they did not present enough data in the Economatica® database or in the statements published on the B3 website to calculate all variables.

	Description	Metric	Source	Baseline Authors
dependent variable	Socio-environmental level of evidence = SLE	Number of items served in relation to the total number of items in the IIRC structure (2015).	Reports published by companies.	Pinho and Carneiro (2014); Ricardo *et al.* (2017).
independent variables	Donation for election campaign = CON_DOA	The company made donation for election campaign in 2014: Yes = 1; No = 0.	Site: www.asclaras.org.br	Camilo *et al.* (2012a); Macedo *et al.* (2015); Pinheiro *et al.* (2016).
	Direct or indirect shareholder participation of politician or government = CON_PART	There was political or government shareholding directly or indirectly in 2014: Yes = 1; No = 0.	Reference Form: Section 6.3; Section 8.1; Section 15.2; Section 15.4; Section 15.5.	Ding, Li and Wu (2018); Haider, Liu, Wang and Zhang (2017).
	Level of sustainability = LS	Dummy variable, being 1 for companies belonging to the ISE portfolio in 2016 and 0 for the others.	B3 website	Pinho and Carneiro (2014); Ricardo *et al.* (2017).
	Return on Assets = ROA	$\dfrac{Net\ Income}{Total\ Assets}$	Economatica Database®	Murcia (2009); Ricardo *et al.* (2017).
	Trading abroad = TA	Dummy variable, 1 for companies with stock trades on the BCBA, BMV and NYSE exchanges and 0 for the others.		Bozzolan and Ipino (2007).
	Market-to-book =MTB	$\dfrac{Market\ value}{Net\ equity}$		Lanis and Richardson (2012).
	Size = SZ	Natural logarithm of the book value of total assets at the end of the period.		Murcia (2009); Pinho and Carneiro (2014); Ricardo *et al.* (2017).
	Sales Growth = SG	$\dfrac{Value\ of\ sales\ of\ year\ 2\ -\ sales\ of\ year\ 1}{sales\ of\ year\ 1}$		Gaio (2010); Murcia (2009).
	Economic sector = REGULATED	Dummy variable, being 1 for constant companies in economic sectors regulated by the regulatory agencies: ANATEL, ANEEL, ANP, ANVISA, ANA, ANTAQ, ANTT, ANCINE, ANAC and 0 for others.		Murcia (2009); Ricardo *et al.* (2017); Santos, Marcello, Zonatto and Toledo Filho (2012).

Figure 2. Research construct

Thus, the final sample of the survey is composed of 370 companies listed in B3 and that contained all the data for the analyzes proposed in this study. Of this total, only 122 companies posted sustainability reports in their websites in 2016 during the period of the survey.

In order to collect the level of disclosure of social and environmental information, a content analysis of the sustainability reports was carried out, considering a checklist of the

areas of activity according to the Integrated Report (IR) guidelines, composed of 31 items and elaborated from the study by Frías-Aceituno, Rodríguez-Ariza and García-Sánchez (2013)

For each item on the list, it was considered the presence or not of the information required in the disclosed report, evaluating the qualitative, quantitative and monetary form. Thus, for each characteristic of the information (qualitative, quantitative and monetary) it was attributed 1 (one) point if evidenced or 0 (zero), otherwise. In this way, each item could receive from 0 (zero) to 3 (three) points. As the checklist contains 31 items, the maximum score allowed for each company would be up to 93 points (31 points for qualitative, 31 points for quantitative and 31 points for monetary).

Figure 2 shows the research construct. It is worth mentioning that, in the case of financial companies, revenue from financial intermediation, collected in the financial statements disclosed on the B3 website, was used to calculate sales growth (SG).

To analyze the influence of the explanatory variables on the dependent variable, explained in the research construct shown in Figure 2, the following model was used:

$$SLE = \beta_o + \beta_1 LSG_{it} + \beta_2 AUD_{it} + \beta_3 ROA_{it} + \beta_4 ISE_{it} + \beta_5 TA_{it} + \beta_6 MTB_{it} + \beta_7 CON\_DOA_{it} + \beta_8 CON\_PART_{it} + \beta_9 SZ_{it} + \beta_{10} SG_{it} + \beta_{11} REGULATED_{it} + \varepsilon$$

To assure the reliability of the results, it was considered the assumptions applied to multiple linear regression, including multicollinearity, autocorrelation of residues, normal distribution of residues and homoscedasticity (Fávero, Belfiore, Silva, & Chan, 2009).

4 PRESENTATION OF RESULTS

This section contains the description and analysis of the data. First, the descriptive statistics of all the variables that compose the research are presented. The coefficients obtained from the linear regression were then analyzed, which sought to verify the predictive power of the set of independent variables over the dependent variable (level of total disclosure of socio-environmental information).

4.1 Univariate analysis

Table 1 presents the descriptive statistics of the variables that compose the study. Regarding the disclosure of social and environmental information, it is worth mentioning that only 122 from the 370 companies in the sample reported sustainability reports. Thus, the average level of disclosure, admitting the totality of the companies studied, was 17.7%, considering the three characteristics of the information as a whole.

In addition, Table 1 presents, separately, the qualitative, quantitative and monetary characteristics of the information evidenced by the companies in their reports, with the average percentages being 28%, 16% and 9%, respectively. That is, it is possible to notice that the companies disseminate information of a qualitative nature with greater intensity, comparatively as of quantitative and monetary scope, in that order.

As for political connections, it is noted that, on average, 18% of the study sample made donations to candidates for election campaigns in 2014. On the other hand, companies politically connected through government shareholding represent an average of 10% of the sample.

Table 1
Descriptive statistics

	N	Minimum	Maximum	Average	Standard
SLE_QUAL	370	0	1	0,28	0,407
SLE_QUANT	370	0	0,871	0,16	0,247
SLE_MON	370	0	0,677	0,09	0,155
SLE_TOT	370	0	0,85	0,177	0,262
ROA	370	-33,278	4,528	-0,075	1,761
ISE	370	0	1	0,09	0,289
TA	370	0	1	0,05	0,21
MTB	370	-6,511	76,267	1,362	4,542
CON_DOA	370	0	1	0,18	0,381
CON_PART	370	0	1	0,1	0,304
SIZE	370	1,255	9,154	6,296	1,018
REGULATED	370	0	1	0,235	0,425
SG	370	-2,217	7,74	0,037	0,706

As observed in Table 1, of the total sample of the study (370 companies), about 9% of the companies were in the ISE 2016 portfolio, only 5% of the sample traded on a foreign stock exchange (BCBA, BMV and NYSE) and 23.5% of the companies belonged to the sectors regulated by specific agencies (ANATEL, ANEEL, ANP, ANVISA, ANA, ANTAQ, ANTT, ANCINE, ANAC).

Considering the indicators of return on assets (ROA) and market-to-book (MTB), it can be seen that the average ratio between net income and total corporate assets corresponds to a value of -0.075, and the minimum value noticed in this indicator is equivalent to -33,278, which indicates the occurrence of losses in the companies analyzed during the period under study. The ratio between the market value of the company and its net equity showed an average value of 1,362. Also worthy of note in this variable is its minimum (-6,511) and maximum value (76,267), showing a certain distance between such data.

Finally, the average logarithm of total assets, corresponding to the size of the company, had a value of 6.296 among the companies analyzed. While the average sales growth was 0.037, the minimum and maximum values were also very different (-2.217 and 7.740, respectively).

4.2 Multivariate analysis

Table 2 shows the regression coefficients, which allow to analyze the influence of the explanatory variables of the study on the total disclosure of social and environmental information of the companies in the sample (dependent variable).

It is noteworthy that the F-ANOVA tests were significant at the 1% level. The adjusted R^2 stood between 31.8% and 32% in the three models analyzed, that is, it can be said that approximately 32% of the variations on the level of disclosure of social and environmental information made by companies in their annual sustainability reports are explained by the set of independent variables selected.

In a similar study, Correa, Gonçalves, Sanches and Moraes (2017) considered the variables size, profitability and indebtedness, with an adjusted R^2 of 30.5%. Murcia and Santos (2009) using the variables sector, internationalization, size and governance, earned an

adjusted R² of 32%, being this the explanatory power of the model on the level of voluntary disclosure of companies.

Table 2

Coefficients of the influence of the explanatory variables on the Total Evidence Level

Variables	Model 1			Model 2			Model 3		
	B	t	Sig.	B	t	Sig.	B	t	Sig.
(Constant)	-0,563***	-7,014	0,000	-0,569***	-7,047	0,000	-0,573***	-7,053	0,000
CON_DOA	-0,011	-0,350	0,726				-0,014	-0,467	0,641
CON_PART				-0,030	-0,746	0,456	-0,032	-0,807	0,420
ROA	-0,012*	-1,745	0,082	-0,012*	-1,744	0,082	-0,012*	-1,753	0,080
ISE	0,153***	3,481	0,001	0,153***	3,485	0,001	0,153***	3,482	0,001
TA	0,069	1,187	0,236	0,070	1,195	0,233	0,070	1,198	0,232
MTB	0,006**	2,231	0,026	0,006**	2,284	0,023	0,006**	2,305	0,022
SIZE	0,111***	8,509	0,000	0,112***	8,566	0,000	0,113***	8,514	0,000
SG	0,005	0,283	0,777	0,007	0,404	0,686	0,007	0,406	0,685
REGULATED	0,067**	2,388	0,017	0,073**	2,615	0,009	0,071**	2,494	0,013
R² adjusted	0,319			0,320			0,318		
F-ANOVA	22,610***			22,691***			20,151***		
Durbin-Watson	1,863			1,865			1,861		
Pesarán-Pesarán	0,093			0,056			0,064		
VIF	<2			<2			<2		

Note. *** Significant at the 1% level; ** Significant at the 5% level; * Significant at the 10% level.

According to Table 2, the political connections, identified through donations of companies to the electoral campaigns, as well as by government shareholding, did not present significant coefficients in any of the models. Due to the lack of significance, despite all the coefficients being negative, it is not possible to state statistically that the political connections influence to reduce the level of disclosure of social and environmental information of the companies analyzed.

Therefore, it is rejected the research hypothesis, that there is a negative relation between political connections and the level of socio-environmental evidence, as shown by Cheng *et al.* (2017) and Muttakin *et al.* (2018). The negative coefficients of the survey also diverge from Zhang's (2017) study, in which a positive effect of political connections on the propensity of Chinese companies to engage in corporate environmental liability issues was perceived, specifically regarding the disclosure of information on this aspect. Similarly, it differs from Gu, Ryan, Bin, and Wei's (2013) survey results, which sought to ascertain the existence of a link between political connections, identified through links between senior Chinese hotel managers and government, and the adoption of corporate social responsibility policies, proving a positive relationship between such variables.

It is possible to observe that, in the three regression models, the participation in the ISE and the size of the companies (SZ) presented positive and significant coefficients (at the 1% level). The results allow to infer that such characteristics of the companies of the sample influence to a greater level of disclosure of socio-environmental information. In this sense, these findings corroborate with the study by Ricardo *et al.* (2017), who verified the positive impact of such factors (ISE and SZ) on the probability of publication of sustainability reports or integrated reports of companies of B3. Still in relation to the SIZE and ISE variables, the

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study corroborates the findings by Rover, Tomazzia, Murcia and Borba (2012) and, specifically in relation to size, the results also converge with the findings of Correa *et al.* (2017) and Murcia and Santos (2009).

In the same way, the variable that captures the company's performance in the regulated segment (REGULATED), presented a positive and significant coefficient (at 5% level), allowing to infer that there is influence of this variable in the level of socio-environmental information disclosure by the companies which are part of the study sample. That is, organizations belonging to sectors with specific regulations have a greater tendency to pass on information about their sustainable performance to their stakeholders. This finding corroborates with the findings of the study of Murcia and Santos (2009).

The market-to-book (MTB) also presented a positive and significant coefficient (at 5% level), allowing to infer that companies with higher market value index in relation to the book value, have higher levels of disclosure of social and environmental information. This is somewhat in line with the study by Qiu, Shaukat and Tharyan (2016), where the authors found that companies with larger disclosures of social information had higher market values.

A different behavior can be seen in the variable return on assets (ROA), which presented negative and significant coefficients (at 10% level) in all three models. Therefore, it can be said that higher values of ROA have a negative influence on the level of disclosure of the information researched. This finding converges with the study by Correa *et al.* (2017) who analyzed the environmental disclosure of 34 American publicly traded companies traded on the New York Stock Exchange (NYSE) and found that the ROA was negatively related to the disclosure of social and environmental information. Divergent from the finding of Mazzioni, Cofsevicz, Moura, Macêdo and Krüger (2017) in which, for the variable profitability were noticed positive and significant coefficients in relation to the socio-environmental disclosure of the companies, indicating that more profitable companies are more prone and committed with socio-environmental responsibility.

Also, foreign stock exchange trading (TA) and sales growth (SG) showed positive coefficients, but these were also not statistically significant. Therefore, it is not possible to make inferences regarding their influences on the dependent variable.

5 DISCUSSION OF RESULTS

The justification for the non-influence of political connections on the level of socio-environmental evidence in this study may consist in the fact that Brazil is characterized as a code law country, with a developing stock market and relatively weak institutional environment (Mazzioni *et al.*, 2017). This inference was verified in Zhang's study (2017), in which it was noticed that the positive effect of political connections on the disclosure of information of corporate environmental responsibility is more likely to occur in environments marked by strict rules and regulations that ensure the direction of the behavior of companies in this sense, that is, in environments where institutional development is strong. Therefore, the political connections will probably not have a positive effect on the disclosure of socio-environmental information in the case of companies inserted in weak institutional environments.

It is still possible to infer that the influence perceived in this study of the factors of participation in the ISE, size of the companies (SZ) and performance of the organization in a regulated segment (REGULATED), on the level of socio-environmental evidence, is presented in accordance with the Theory of Legitimacy. This theory presupposes the existence of a contract, implicitly signed between society and organizations, and the latter are constantly

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looking for the adequacy of their activities to social parameters and expectations (Araújo, Lagióia, Soeiro, & Santos, 2017).

In this aspect, organizations with characteristics observed by the society, capable of directly influencing the environment in which they operate, have a greater tendency towards a relevant amount of dissemination of socio-environmental information (Sampaio *et al.*, 2012). Thus, larger companies have greater capacity to impact on the community in which they are inserted (Rover *et al.*, 2012), using socio-environmental disclosure to guarantee their legitimacy before society. Likewise, companies belonging to the ISE portfolio tend to show more information of a sustainable nature (Rover *et al.*, 2012), in order to confirm their actions towards the promotion of sustainable development.

It is worth mentioning that the growing pressure of society for social and environmental information of companies can come from the community in which the organization is located, by determination of legislation imposed by the government, suppliers, customers, as well as specific regulatory bodies (Beuren, Hein, & Boff, 2011). Thus, companies belonging to regulated sectors may use the disclosure of social and environmental information to confirm their actions before the interested parties in general, and especially, to their supervisory bodies.

Thus, the Theory of Legitimacy can be considered the analysis lens for research on the disclosure of social and environmental information. Through its premises, it is possible to understand and explain the behavior of companies in the face of the pressure from the society, as well as the strategies adopted in order to remain legitimate in the environment in which they operate (Degenhart, Vogt, Hein, & Rosa, 2016). Therefore, the disclosure of socio-environmental information carried out by companies can facilitate the process of legitimation before society, provided that the organizational set of rules and values is in line with what the social system consider as appropriate (Czesnat & Machado, 2012).

6 FINAL CONSIDERATIONS

The study aimed at analyzing the influence of political connections on the disclosure of social and environmental information in publicly traded companies listed in B3. For this, a descriptive, documental and quantitative research was carried out. In order to determine the level of disclosure of social and environmental information, the sustainability reports disclosed by the companies in the year 2016 were analyzed. Regarding the political connections, companies with political or government shareholding in 2014 were identified and, likewise, the companies that made donations to the electoral campaigns in 2014, year that corresponds to the last election period. The survey sample corresponds to 370 Brazilian publicly traded companies.

According to the findings, on average, 18% of the companies in the study donated to candidates for election campaigns in 2014 and 10% of the companies in the sample had governmental shareholders. Regarding the disclosure of social and environmental information, it was noticed that most of the informational passthrough corresponds to the qualitative data, to the detriment of the quantitative and monetary data, also relevant for the analysis of the reputation and business performance by the stakeholders in the organizations.

The influence of size (SZ), company participation in ISE portfolio and company performance in regulated segment (REGULATED), on the level of social and environmental disclosure, can be explained by the Theory of Legitimacy. It is understood that large organizations have influential characteristics about the communities in which they operate, using the disclosure of information to make their business practices legitimate to their

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stakeholders. Similarly, companies that compose the ISE portfolio or operate in segments controlled by specific regulatory agencies have different accountabilities regarding their social and environmental positions, and may use information disclosure to achieve, maintain or recover the legitimacy of their activities before the company in general.

Considering the main purpose of this research, it was verified that the political connections did not present a statistically significant influence on the informational level of information analyzed, being verified negative coefficients. Thus, it is not possible to affirm the real effect of the political connections on the socio-environmental disclosure index, but there are indications of a negative influence in this scope. The justification for such observations is the fact that Brazil has a weak institutional environment, with deficient regulations that favors the performance of companies for practices of corporate social responsibility. The aspect presented in Zhang's study (2017), that political connections will not have a positive effect on the disclosure of environmental information in companies inserted in weak legal environments, supports the justification given to this finding.

The study adopted a new approach regarding the possible effects of political connections, considering that few national surveys deal with the reflection of this factor, about the disclosure of social and environmental information. It is worth mentioning the relevance of the discussion on both issues, considering the current Brazilian political context and the increasing need of society to be aware of the practices and possible effects of business activities on their daily lives.

Among the limitations of the research, we can mention the subjectivity involved in the collection related to the socio-environmental disclosure level, based on the company's sustainability reports, in which the authors used their analysis and interpretations to determine such index.

For future research, it is suggested to investigate the effects caused by the magnitude of the donations to the political campaigns on the practices of corporate social responsibility. In addition, other forms of measurement of political connections and CSR can be established, constituting in feasible ways to be explored and compared with the corporate attitude transmitted to society.

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Influência das Conexões Políticas na Evidenciação de Informações Socioambientais

RESUMO

Objetivo: *Analisar a influência das conexões políticas na evidenciação de informações socioambientais.*

Método: *A amostra da pesquisa é composta por 370 empresas listadas na B³. Para determinar o nível de evidenciação socioambiental foram analisados os relatórios de sustentabilidade de 2016, com base nas diretrizes do Relato Integrado (RI). Quanto às conexões políticas, foram analisadas, a existência de participação acionária de político ou do governo em empresas e as doações realizadas pelas companhias às campanhas eleitorais, ambas relativas ao ano de 2014.*

Originalidade/Relevância: *A discussão no meio acadêmico nacional sobre os reflexos causados pelas conexões estabelecidas entre empresas e governo, principalmente considerando a evidenciação socioambiental como vertente afetada, ainda é incipiente.*

Resultados: *Os resultados não permitem afirmar o real efeito das conexões políticas sobre o índice de divulgação socioambiental, mas há indícios de uma influência negativa nesse âmbito. As influências do tamanho, participação da empresa na carteira ISE e da atuação da empresa em segmento regulamentado, sobre o nível de evidenciação socioambiental, são explicadas pela Teoria da Legitimidade.*

Contribuições teóricas/metodológicas: *Percebe-se indícios de que no Brasil o efeito das conexões políticas sobre a evidenciação socioambiental é negativo, em decorrência do ambiente institucional fraco, com regras e regulamentos deficitários. Ressalta-se a importância da evidenciação dessas informações, dado o crescente impacto econômico, social e ambiental proporcionado pelas companhias na região em que atuam e à sociedade em geral.*

Palavras-chave: *Conexões Políticas; Governo; Evidenciação Socioambiental; Relatório de Sustentabilidade.*

Sirlene Koprowski [iD]
Universidade Comunitária da Região de Chapecó (Unochapecó), Santa Catarina, Brasil
E-mail: sirlene.koprowski@unochapeco.edu.br

Marcelo Nardi [iD]
Universidade Comunitária da Região de Chapecó (Unochapecó), Santa Catarina, Brasil
E-mail: mcenardi@unochapeco.edu.br

Denise Isabel Rizzi [iD]
Universidade Federal de Santa Catarina (UFSC), Santa Catarina, Brasil
E-mail: deniserizzi@unochapeco.edu.br

Sady Mazzioni [iD]
Universidade Comunitária da Região de Chapecó (Unochapecó), Santa Catarina, Brasil
E-mail: sady@unochapeco.edu.br

Geovanne Dias de Moura [iD]
Universidade Comunitária da Região de Chapecó (Unochapecó), Santa Catarina, Brasil
E-mail: geomoura@terra.com.br