

Reflex of political connection on corporate governance information internet disclosure by Brazilian publicly traded companies

Henrique Scher de Carvalho Santos, *Joshua Onome Imoniana

*Corresponding Authors email: josh.imoniana@usp.br

Abstract— This paper explores how the mechanisms for disclosing corporate governance information by publicly traded companies are influenced by political connection. It complements the thoughts on disclosure that utilises technology and voluntarily furnishes information to stakeholders. It combines content analysis which is supported by discourse theory and descriptive analysis to provide a background for the interpretative exploratory contemplations. Analysis covered nine companies listed on the São Paulo Stock Exchange which featured in the Ibovespa index among the most traded shares. Based on our results, we conclude that disclosure of corporate governance practices by the Brazilian publicly traded companies does not present any level of differentiation in relation to political connection compared to the private ones. Notwithstanding, the companies presented a level of disclosure below the ideal for their representation, showing that the maturity level of information being disseminated is still below expectation. Finally, on the general assessment, we infer that there is an influence of political connection on the organisations.

Index Terms— Brazil, Content Analysis, Corporate Governance, Disclosure, Discourse Theory, Information, Internet, Political Connection, Public Companies.

1. Introduction

This study investigates the level of disclosure of corporate governance information over the Internet, for listed companies with or non-state participation companies by drawing on political connections.

Prior studies have shown that there are linkages between the political economy and financial reporting (see Bushman, Piotroski & Smith (2004), Bushman & Piotroski (2006) and Costas (2016). Other studies on disclosure through the Internet (see, i.e. Mazzotta & Bronzetti, 2013), political connection influence in disclosure level (see, i.e. Cheng, Wang, Keung and Bai, 2017). However, no study has explored this said connection compared to the private ones, among the publicly traded companies in Brazil. This study therefore, fills this gap with an interpretative and exploratory study.

The interpretative study is based on documentary analysis; couple with analysis of information from the corporate websites pertaining to investors' relations, as of 20th September, 2016, for nine companies listed on the Bovespa. This is a purposeful sample, being chosen companies that make up the Ibovespa index and are among the most traded stocks, so they apparently needed a good relationship with their stakeholders.

The work is structured in five sections, which began with this introduction. Following is a description of the main concepts and studies related to the theme and that make up the theoretical background. Later, the methodology and procedures of the research as described. Afterwards, the results of the data analysis are presented and, lastly, the final consideration.

The majority shareholder, in the case of the private company, is able to exert his influence directly or via board of directors. The same happens in the state-owned company, but this situation is amplified by its probable political influenced environment. According to Costa (2016) it is notorious that managers are directly nominated by government executive power, also serving as a tool to obtain political support.

IBGC (2015) observed that companies must recognise the right of all shareholders and ensure fairness in treatment and equal access to company information. The State should be exemplary in this behaviour and follow the best practices related to equal treatment of minority shareholders.

Matias-Pereira (2010) evidenced that, public companies are slow and inflexible in the application of corporate governance practices. On the other hand, Mendes-da-Silva et al. (2009) advocates increasing demand for access to business information over the internet.

Also, Mazzotta & Bronzetti (2013) observed a positive association between the extent of firm's information and corporate governance and also, a negative association between information from financial reporting (IFR) and the ownership structure. They held on the IFR measure taking into account the content of information presented to investor relations.

In view of the aforementioned, the following question was constructed and augmented: how do the mechanisms for disclosure of corporate governance information by the state-owned companies influenced politically as compared to privately owned?

Thus, this research aims to explore the means of political connection in respect to disclosing corporate governance information to users through the internet.

As ancillary objectives we: a) Consider whether the political connection of companies whose largest shareholder is the Brazilian government affects the information disclosed through the Internet; b) Contribute to the discussion about whether or not there is a difference in the level of information disclosed by state and private controlled companies with political connection; and c) Verify compliance with corporate governance practices listed in the IBGC Code, CVM Primer and Bovespa Novo Mercado by the companies studied.

Rationale and contributions of the study shows that the importance of the topic is not farfetched, as several entities, whether governmental or private, are dedicated to issuing recommendations on best corporate governance practices, following the Brazilian Corporate Governance Institute (IBGC) and the Brazilian Securities and Exchange Commission (CVM) of São Paulo Stock Market (Bovespa). However, empirical studies covering political connections are very scanty.

Therefore, this research contributes to the production of scientific knowledge about the political influence for the disclosure of information on corporate governance. Moreover, the results of this research should sum up scientific developments in the academic literature on the political connection in business administration and economic policy in emerging markets, such as Brazil.

In short, it contributes on (i) comprehending the political connection among academia and the society at large; (ii) the analysis of emerging issues in the discussion of political connection and its relationship as it features in the publicly traded companies where it has future implications; (iii) on the discourse with its comparison if any, the connections are projected over the internet; and (iv) supports the analysis of the acknowledged literatures and the realities of Brazilian environment.

Firstly, the delimitation of this work refers to the verification of the disclosure of information through investor relations website. The purposeful selection of data from this source follows Imoniana et al (2012) who affirm the sustainability reporting of government establishments not to mention the private ones that are more consolidated through this media.

Secondly, other disclosure instruments such as physical documents held by the Brazilian Securities and Exchange Commission (CVM), conference calls with analysts and investors, articles published by the media and face-to-face meetings such as meetings of APIMEC (São Paulo's Association of Investors in Capital Markets) were drawn upon.

Lastly, limitation concerns the sample analysed, due to the survey based on the analysis of 9 companies among hundreds of others listed. In this sector, these are the only companies existing in Brazil that are publicly traded so, the question of the significance of the nine numbers is indisputable. Thus, this factor is mitigated taking into account the representativeness of the sample according to the volume of shares traded.

2. Literature Review

2.1 Political connection

Political connections may consider the possibility that the members of higher echelon of an organisation be linked to the government. One could identify the hands of the politicians in the nomination of members of staff, most particularly when the organisation is a state or partially owned thereby could act with interests directed to the state, with their political protection.

Political connections in organisations in a plain market equilibrium does not count well as investor understand that it would not last and does not assist in consolidating a solidly moulded organisation that would be competitive. Political connections may suppress firm-specific infor-

-
- Henrique Scher de Carvalho Santos. Graduate of Accounting. Researcher in the area of corporate governance with the use of ICT in University of São Paulo. Email: henriquescsantos@gmail.com
 - Joshua Onome Imoniana CPA, CGeIT, PhD. Professor of Auditing, Accounting Information Systems. Researcher in the area of Information Systems Auditing. Assurance & Attestation in University of São Paulo. Email: josh.imoniana@yahoo.com

mation to hide expropriation activities by politicians and their cronies. Second, politicians exploit their control over regulatory policies to favour cronies in return for bribes, nepotism, and political support (Gul pp. 937, 2006)).

Budiman, Lin & Singham (2009) showed the performance of state-controlled companies in Africa, Latin America, Asia and Eastern Europe. The study points out that often the transparency of these companies is hampered by political interference, either through omitted information to avoid comparison with private sector benchmarks or to justify operational inefficiency with societal goals, a typically political attitude. In respect of this, they would articulate their networks toward meeting the objectives of the connection.

Ming, Gul & Majid (2016), observed that the political connection of Malaysian companies were associated with lower financial performance, lower profits besides higher cost of debt and financial leverage. The political connections of the companies studied were considered of the State as shareholder of the companies, and consequently the ability to appoint more members to the board of directors.

The importance of member diversity in decision boards is addressed by Nisiyama (2016), which presents results suggesting that the greater diversity of the board of directors would be related to the higher level of leverage and corporate indebtedness. The following interpretation is possible: "The diversity of the board of directors can mean not only better monitoring procedures, but also decisions with greater confidence, given the expertise and experience of the board."

Whilst, Cheng, Wang, Keung & Bai (2017) question if corporate political connection influence the Environmental Information disclosure Level? This is especially prevalent in state-owned enterprises where political connection has a significant positive impact on CEID in the eastern and western parts of China.

2.2 Corporate governance

Studies like that of Silveira (2002) points out that better corporate governance lead companies to be better evaluated by the market and obtain better operational performance, ultimately contributing to the country's economic development. Investor protection is essential, both in terms of compliance with established laws and voluntary attitudes of companies to promote their governance structure.

Álvares, Giacometti & Gusso (2008) emphasised the idea of corporate governance coming from Adam Smith, although it was not named in this way. In 1776, he argument that business managers could not be expected to take care of other people's money in the same way they would do with theirs.

Despite this report from a distant time, it is interesting to treat the recent history of Corporate Governance a bit further. According to Pitzer's (2011) dissertation that relates market value to governance practices, some corporate events have given importance to the topic of Corporate Governance and this has become part of the responsibilities and concerns of companies. In 2002, the US Congress passed the Sarbanes-Oxley Act (SOX) in response to corporate "make-up" scandals. Also in 2002, the Securities and Exchange Commission (SEC) introduced complementary standards and the New York Stock Exchange (NYSE) approved new corporate governance requirements as a condition for listing companies.

Among the main initiatives to stimulate and improve the corporate governance model in Brazil, following suite with what upheld in other markets are the reforms of the Brazilian Corporate Law and the creation of the "Novo Mercado Index" by the São Paulo Stock Exchange – BOVESPA. Others were, the Corporate Governance Securities - CVM and the Best Practices Code of the Brazilian Institute of Corporate Gov-

ernance. IBGC suggests the adoption of new governance practices by companies without legal obligations and on a voluntary basis, which encourages the adoption of better governance practices in order to facilitate their access to capital market and contribute to increase transparency.

Noteworthy that IBGC (2015), has as its main rules the following principles: transparency, accountability, fairness and corporate responsibility. Despite the adoption of its practice being voluntary, the institute points out that its members are motivated to promote governance by idealism, learning and creating value for their business.

Another example is the creation of the differentiated levels of Corporate Governance of the companies of the São Paulo Stock Exchange (Bovespa) launched in 2001. According to CVM (2002), the stock exchange makes it possible to negotiate stocks without being at one of the differentiated levels. However, with the adoption of controls and procedures established by Bovespa, the company can receive recognition and have its action classified as Level 1, Level 2 or Novo Mercado (New Markets).

Procianoy & Verdi (2009) verified that the companies that joined the new markets present higher levels of liquidity than companies traded in the traditional BOVESPA market. The conclusion presented by these authors indicate that the dedication of the company to the practices of governance, although voluntary disclosure, impacts the financial performance of the companies, which can serve as incentive for the companies to adopt them.

The CVM, in turn, is an entity subordinated to the Ministry of Finance and, unlike the standards suggested by IBGC and Bovespa, CVM has powers to discipline, regulate and supervise the performance of market participants. It is important to note that although the Bovespa has similar powers, the program of differentiated listing levels is voluntary participation. In 2012 the CVM presented the corporate governance booklet, with predominant recommendations that ensure protection to the minority investor.

Oliveira et al. (2004) in their paper on the adoption of governance practices by companies in the pulp and paper sector, found that the most essential differences between the CVM norms and the other sets of norms emphasises the great attention given to aspects related to disclosure Accounting.

2.3 Theory of Political Discourse

State intervention in directly productive activities is determined by very diverse structural and political needs. In the same manner, the formation of each state business segment and the definition of the roles of each state enterprise correspond to different structural situations, political arrangements and technical needs (Abranches (1979). Thus, it is observed that one of the recurring questions in the debates about the role of state enterprise in market economies refers to the ambiguity of its action, which characterises a behaviour that varies between its state face that leads it to achieve political objectives of macroeconomic nature, and its corporate face that privileges private interests of the company, as criteria of efficiency and profitability, owned to the private company.

The Theory of political discourse, as proposed by Laclau & Mouffe (1985), is based on the idea that all social phenomena are mediated through a discourse, and yet each discourse structures reality differently. Political discourse should often take positions or identify with some political project; however, when social aspects are in crisis this position must be reformulated. This discourse is drawn upon along our discussion in this paper.

Also, in this discourse, the relationship between control and ownership is addressed by the agency theory, which according to Arruda, Madrugá & Freitas Jr (2008), serves as a theoretical basis for analysing the relations

between the participants of a system, in which ownership and control are designated to distinct persons. In effect, this could result in conflicts of interest between individuals involved in the process. According to Weston & Brigham (2004), the relationship between shareholders and managers is one of the main agency conflicts, since the interests of managers should aim to meet shareholders' interests. The agency problem is grounded on the issue of asymmetric information available to the different agents.

The IBGC (2015) also presents the same agency conflict among members of the organisation: Board Members, as well as executives, have a duty of loyalty to the organisation and not just to the member or group of members who nominated or elected them. In an attempt to minimise conflict, the code of corporate governance best practices proposes definitions of independence for board of directors, partners and independent auditors.

2.4 Disclosure through the internet

With the advancement of information technology, more precisely in information technology and telecommunications, the Internet has positioned itself as one of the main channels of communication between companies and their stakeholders. It is characterised as an easy, fast, secure, when the risk of cyber security is mitigated, less expensive channel for communicating company information to users.

Through the internet it is possible to provide a wide range of information for different types of users. Kelton & Yang (2008) hold this view when they argue that the Internet is the only information disclosure tool that encourages flexible forms of presentation and enables immediate, broad and cheap communication with investors.

Matias-Pereira (2010) indicates that the state is seeking to adapt and transfer the experience accumulated by corporate governance from the private sector, as yet to make its actions more effective, less time-consuming and flexible way as the private sector. Louzada, Fontes Filho & Rezende (2010) point out that in the last decade the State has significantly expanded the use of the Internet as an instrument to increase transparency and accountability. The Federal Government has launched initiatives such as the websites *Transparência Brasil* (www.transparencia.org.br) and the *Contas Abertas* (www.contasabertas.org.br). These means have sustained the ideas of transparency through the corporate websites maintained by the government bodies very recently.

3. Methodology

This work is characterized as interpretative with qualitative content analysis according to Yin (2003) and also adopts categorical thematic analysis as recommended by Flores (1994). Regarding the approach, this study is exploratory, since it seeks to discuss the difference in the level of disclosure of Corporate Governance information for state and privately controlled companies. According to Vergara (2007), this type of research aims to clarify which factors contribute in some way to the occurrence of a certain phenomenon.

As for the source data, the research is documentary, since it analyses the data available on the investor relations websites of the companies studied for the year 2015. According to Vergara (2007), documentary research is "carried out in documents kept by public or private organs of any nature (...)".

The database used in the study is made up of nine companies, four of which are mixed capital and state control, two are mixed capital and private control, and three are privately controlled, with no direct share of the state as a shareholder. All companies have their shares listed on the Bovespa and are part of the IBOV benchmark index. In order to guarantee the representativeness of the selected sample, detailed data

were considered categorizing the companies by economic sector and group of different shareholders.

The companies selected were: Ambev S.A.; Banco do Brasil S.A.; Cia de Saneamento Básico do Estado de São Paulo – Sabesp; Cia Energética de Minas Gerais – Cemig; Itaúsa Investimentos Itaú S.A.; JBS S.A.; Petróleo Brasileiro S.A.; Usinas Siderúrgicas de Minas Gerais S.A.; and Vale S.A.

The selected companies are shown in Table 1, together with a summary of their characteristics that includes: a) economic sector, b) market value in R\$, c) Bovespa Segment of Corporate Governance, and d) if the company is listed in the USA through ADR issuance, as a consequence of this is subject to SEC regulation.

The shown information about the selected companies demonstrates how voluminous the trading of these companies affects the Bovespa Index. In respect of this, inferring about the perceptions on them could be significant.

Therefore, the proposition to be verified in this study is presented below:

P₁ - Evidence of the adherence of the mostly traded companies on Bovespa Index to corporate governance practices has a political connection.

Based on the political discourse and the relationship with the research conducted by Ming, Gul & Majid (2016), the political connection will be presumed as based on the ownership characteristic of the companies, as well as the verification if the administrative board being present and nominated by the government. As such, we consider the existence of negative media, such as journalistic articles related to the political connection and published in the last 5 years, as well as donations for political campaigns in the 2012 federal and state elections.

Yet, according to the methodology applied by Mendes-da-Silva et al. (2009) in their view on disclosure via the corporate website, we considered only information available on the investor relations websites of publicly held companies.

The benchmark that served as a support to verify the existence of Corporate Governance practices were as follows: a) The IBGC Best Practices Code; b) The CVM Corporate Governance Primer; and c) The Regulation of Differentiated Levels and Novo Mercado BOVESPA.

The classifications of practices adopted are as follows: evidence relating to ownership of shares, evidence relating to the Administrative Board, and evidence relating to management and audit. After collecting the data and identifying the evidence of the adoption of corporate governance practices and concepts, the practices used are indicated with 1 as applied attribute and 0 none applied in the summarised sketch.

Noteworthy, that as the aim of the study is to analyse the disclosure, through a corporate website based on mainly adoption of corporate governance practices by companies, certain information could be extremely summarised. Therefore, the non-disclosure of practices does not necessarily mean non-compliance with the practice or irregularity in relation to regulatory bodies such as the CVM the Brazilian SEC. However, the voluntary disclosure that highlights and differentiates the organisation in relation to its pairs may not be fair if it leads to wrong interpretation.

4. Results

The analysis of results is made through the following thematic categories that explains the significances expressed from the content analysis: 4.1) Evidence of Political connection; 4.2) Evidence of corpo-

rate governance practices related to ownership; 4.3) Evidence of corporate governance practices related to the Administrative Board; 4.4) Evidence of practices of governance related to management; and the last but not the least 4.5) Evidence of corporate governance practices related to the audit. Be it known that we denote the existence of the attribute in Tables 3 to 6 by 1 and 0 when it does not exist.

4.1 Evidence of political connection

In order to ascertain the evidence of political connection, the factors observed for analysis were: a) participation of the State as shareholder of the company, b) verification if the State controls more than 50% of the voting capital, c) if the company has politically indicated members in the Board, if affirmative d) journalistic articles in the media that indicate cases of corruption related to public power in the last 5 years, e) donations to electoral campaigns, in the last federal election and declared to the government.

In Table 2 we observe the factors of political connection in companies, which were then listed according to the state's share as shareholder and this has been indicated with Yes. Where this attribute does not exist in the organisation, we insert N/A meaning not applicable.

According to the criteria for sample diversity, six of the companies have state participation as a shareholder, while four of them are controlled by the State.

All the companies controlled by the State have a majority of the members of the Board appointed politically according to the Internal Regulations of the Board. Companies such as Petrobras, Cemig and Sabesp only mention that these positions are nominated by the "Controlling Shareholder", however Banco do Brasil also shows which Ministry below the President of the Federal Republic is responsible for nominating each position of the Board.

The data also indicated that with the exception of Usiminas, all privately-owned companies made donations for election campaigns, mainly for the election of the President of the Republic and House of Representatives in 2014. The fact that state-owned companies did not appear as donors for campaigns was expected, since the practice is prohibited by the part that deals with the code of conduct prohibited to the public agents in electoral campaigns of the Law of the Elections (Law nº 9.504, of September 30, 1997).

4.2 Evidence of corporate governance practices related to property

In Table 3 we observe a greater concern with minority shareholders. Practices such as arbitration, one vote per share, voting rights granted to all and tag along are ways to protect minority shareholders from abuse of power by controllers.

Analysing the information, it is also important to note that the companies in the Novo Mercado listing segment, which in this research are Banco do Brasil, Sabesp and JBS, present corporate governance characteristics related to share ownership that bring greater security to the minority shareholder.

State-controlled companies had a reasonably higher level of disclosure regarding ownership of their shares and provisions of the General Meeting compared to the privately owned companies analysed.

4.3 Evidence of corporate governance practices related to the Administrative Board

Upon analysing Table 4, it can be seen that with the exception of Usiminas, private control companies have a better level of disclosure. Many of the companies, both public and private, did not show important information such as the mandate of each member, the existence of advisory committees, qualifications of the members and the existence of a continuing education program to keep up to date with the demands of the market.

The companies such as Sabesp and Usiminas do not present in their investor relations website a document with the Internal Regulations of the Board, characterizing the attributions and composition of the board, only just through the Company's Bylaws.

In effect, this poses deficient information to the users, inasmuch as investors would be falling short of yardstick to measure the quality of information provided. Politically, this brings to light partial compliance with the best practices propagated by the corporate governance rules.

4.4 Evidence of corporate governance practices related to management

We would observe in Table 5 that the companies evidenced all items analysed, representing a high level of disclosure of the information related to management and the board. Although only four of the companies analysed disclosed a Board Internal Regulation document, all presented the attributions and composition of the board in a specific part of the investor relations website, in addition to the annual remuneration in the Reference Form.

4.5 Evidence of corporate governance practices related to the audit

In Table 6, audit evidence-related practices were brought to light through the analysis of the "Reference Form 2015". For some, the disclosure of this information falls short of what is required; the relationship between external audit and the audited company should be evidenced with greater transparency in these cases. Most companies do not claim that the contracted audit firm does not perform consulting work, or that they provide the board with a declaration of independence regarding the audit service.

This social constraint that debarred the auditor from consulting jobs helps maintain independence inasmuch as he would not be auditing the control environment which he helps to restructure.

5. Discussion

The sum of points obtained by companies could be between 0 and 27 points for corporate governance indicators gathered when it exists (Ownership (10) Administrative Board (7) Management (5) and Audit (5) thereby attributing 1 when it exists and 0 when inexistent. In this juncture, this is verified in order to express on the level of general disclosure of corporate governance practices by each company.

As in Table 7, the state-owned companies such as Petrobras are observed, obtaining a maximum score of 23 points and Cemig, the state's lowest score of 20 points. There are also private companies such as JBS obtaining a maximum score of 26 points and Usiminas, with lower scores among all selected companies of 17 points. Through this analysis it is possible to verify that the proposition of the research that the disclosure of practices of corporate governance would be affected by the political connection has not proved true.

If we draw on the political discourse to-date in Brazilian environment, where political connection generally disturbs the operations of organisations, and recent media has shown it vehemently with proof, even though not in academia, where does the problem lie then? So if data shows that it is not significant when private and government controlled figures are compares, something must be phishing. Would it be wise to say that information presented through the audited financial statements shown through the internet when pugged of risk of material misstatement are vaccinated against political connection; that gives a food for thought.

In another analysis, companies with the highest market value, such as Ambev and Petrobras, obtained scores of 21 and 23 points re-

spectively, and companies with lower market value such as Usiminas and Cemig, obtaining scores of 17 and 20 points. This indicates a result consistent with the research by Mendes-da-Silva et al. (2009), which verifies the disclosure ratio by corporate website with financial information, obtained the result that "the larger the firm, the greater the sum of information disseminated in the corporate website". This result is also consistent with previous studies from Marston & Leow (1998).

In a nutshell, considering all the companies analysed, the median obtained was 22 points. Only JBS achieved a level of disclosure of corporate governance practices close to the ideal of 27 points, indicating that most of the companies analysed do not maintain the level of disclosure recommended by IBGC, CVM and Bovespa.

Simply put, even more briefly, based on the agency theory, this result is considered as negative for companies, since if one of the parties has access to incomplete information, informational asymmetry will be promoted and there will be damage to this part. As Weston & Brigham (2004) may result in a loss of efficiency in the process of raising equity not to mention the third parties of these companies.

Thus, following the political discourse theory proposed by Laclau & Mouffe (1985) and also sanctioned by the discourse proposed by Jørgensen & Phillips (2002), therefore, that social aspects should impact on the change in discourse content, the level of disclosure lower than the ideal represents a loss of information for society by hindering the evaluation of the behaviour of the state organisations. Ball, Robin, & Wu (2003) identify political connections in Malaysia as a factor that could contribute to the lower levels of financial reporting quality, which is consistent with the findings of this study.

So, from the discussion of political connection, and the discussion of the use of internet, there are different clues in which we might be prompted to revise our conception of business policy of the usage of internet and also better interpret the disclosures by the public and private sector companies. Meaning that we should have to rethink from inside. And if it means breaking our relationships of governance with political connection, then it means rethinking our relationships with the outside. Management with their responsibilities have the powers to show their styles inasmuch as they would see the dawn of the consequences when the wrath of noncompliance comes.

In another look, have we observed the reason behind the shallow information presented the government institutions in their internet reporting? One might conclude that the Brazilian government institutions foot-dragging approaches to implementation of transparency via internet is able to influence disclosures with their connections.

6. Final Comments

In this research, there is homogeneous level of disclosure of corporate governance practices among the highly traded companies in Bovespa Stock Market with more or less political connection. Therefore, the result obtained is consistent with the work of Mendes-da-Silva et al. (2009) that indicates that the dissemination of information on the corporate website is more related to the size of the company.

It was also observed that most of the analysed companies, irrespective of their level of political connection, still do not maintain the ideal level of disclosure. This leads one to conclude that, the voluntary disclosure, even though impactful as the users see it as positive, looks more timid than expected.

Analysing the result in light of the agency theory and political discourse, it implies that the result of the research depicts a loss for listed companies, both private and state owned, as well as for the society at large, as a result of informational asymmetry.

Based on our results, we conclude that disclosure of corporate governance practices by the Brazilian publicly traded companies does not present any level of differentiation in relation to political connection compares to the private ones. Notwithstanding, the companies presented a level of disclosure below the ideal for their representation, showing that the maturity level of information being disseminated is still below expectation. On this note, we infer that there is an influence of political connection in the organisations.

Thus, in view of recent corruption scandals related to political connections in state-owned and listed companies in Brazil, one is forced to conclude that the organisations would disclose what they want the public to know about them through the internet. Also, as the normal disclosure standards show linearity in the form of representation, it is not strange to see this non expressive difference in an apparent non-political connection among the most traded companies, thus, requiring an in-depth face-to-face research so as to confirm this assumption.

Furthermore, borrowing a leaf from the cases of corruption that erupted recently in Brazil concerning *Petrobras* that evidenced tight political connection, this raises a food for thought, inasmuch as the evidence of a timid disclosure among the traded companies may imply the disclosure of just the necessary and not implicating over internet, this necessarily warranting additional investigation through big data text mining. This will enable one to cover the qualitative data about the organisations discussed in this study.

Finally, in view of the importance of the topic addressed, some aspects can be cited as reasons for future research: a) replicate this study in other institutional environments and in different periods of time; b) verify the validity of the corporate governance information disclosed on the Internet, and finally, c) discuss the increase in the use of the Internet in the relationship with investors and implications on the level of disclosure of information, and lastly d) Another issue that could draw interest for investigation is to address the limitation concerns the sample analysed, due to the survey based on the analysis of 9 companies. Since only 9 companies exist in this sector in Brazil we recommend the extension of the sample to other countries in Latin America for more informational level for comparison.

7. Reference

- Abranches, S. H. (1979). *Questão da empresa estatal - economia, política e interesse público*. Revista administração de empresas. vol.19 (4): 95-105.
- Álvares, E.; Giacometti, C. & Gusso, E. (2008). *Governança Corporativa: um modelo brasileiro*. 1. ed. Rio de Janeiro: Elsevier.
- Angonese, R; Sanches, J. R. & Bezerra, F. A. (2014). *Determinantes da divulgação de informações voluntárias por meio da internet*. Con-Texto; v. 14: p. 19-31.
- Arruda, G. S.; Madruga, S. R.; Freitas Jr, & Ney I. (2008), *A governança corporativa e a teoria da agência em consonância com a controladoria*. Revista de Administração da UFSM, Santa Maria, p.71-84.
- Ball, R.; A. Robin; & J. S. Wu. (2003). "Incentives Versus Standards: Properties of Accounting Income in Four East Asian Countries." *Journal of Accounting & Economics* 36: 235-70.
- Budiman, A.; Lin, D.; Singham, S. (2016), *Improving performance at state-owned enterprises*. McKinsey&Company, 2009. Retrieved June 2016.
- Bushman, R.; J. Piotroski; & A. Smith. (2004). "What Determines Corporate Transparency?" *Journal of Accounting Research* 42: 207-52.
- Bushman, R., & J. Piotroski. "Financial Reporting Incentives for Con-

- servative Accounting: The Influence of Legal and Political Institutions.” *Journal of Accounting & Economics* 42 (2006):107–48.
- CVM (2002). Corporate Governance Premierr - COMISSÃO DE VALORES MOBILIARIOS – CVM. Recomendações da CVM sobre governança corporativa – Cartilha de Governança. São Paulo: CVM, jun. 2002. Available in www.cvm.gov.br. Retrieved March 2016.
- Cheng, Z, Wang, F, Keung, C. & Bai, Y. (2017). Will Corporate Political Connection Influence the Environmental Information Disclosure Level? *Journal of Business Ethics*, 2017, 143 (1): 209-221.
- Costas, R. (2016),. *Cargos indicados por partidos são 'caixa-preta' no governo*. BBC Brasil. Abril de 2016. Retrieved 5 June, 2016.
- Flores, J. G. (1994). *Análisis de datos cualitativos: aplicaciones a la investigación educativa*. Barcelona: PPU, p. 7-107.
- Gul, F. A. (2006). Auditors’ response to political connections and cronyism in Malaysia. *Journal of Accounting Research*, 44(5): 931-963.
- IBGC (2015). Brazilian Corporate Governance Institute - INSTITUTO BRASILEIRO DE GOVERNANÇA CORPORATIVA - IBGC. *Código das Melhores Práticas de Governança Corporativa – CMPGC*. 5ª revisão. São Paulo: IBGC, nov. 2015. Available www.ibgc.org.br. Retrieved Oct, 2016.
- Imoniana, J. O.; Domingos, L. C.; Soares, R. R. ; Tinoco, J. E. P. (2012). Stakeholders’ engagement in sustainability development and reporting: Evidence from Brazil. *African Journal of Business Management*, v. 6, p. 10634-10644, 2012.
- Jørgensen, M. W., & Phillips, L. J. (2002). Discourse analysis as theory and method. Sage.
- Kelton, A. S.; Yang, Y. (2008), *The Impact of Corporate Governance on Internet Financial Reporting*. *Journal of Accounting and Public Policy*, v. 27(1): 62-87.
- Laclau E.; Mouffe C. (1985), *Hegemony and Socialist Strategy: Towards a Radical Democratic Politics*. London: Verso
- Louzada, Sergio V.; Fontes Filho, Joaquim R.; Rezende, José F. (2010), *O uso da internet para promoção da accountability pelas empresas estatais federais brasileiras*. In: Encontro de administração pública e governança da Anpad — Associação Nacional dos Programas de Pós-Graduação em Administração, 4., Vitória. *Anais eletrônicos*. Vitória: Anpad.
- Marston, C; Leow, C. Y. (1998), *Financial reporting on the internet by leading UK companies*. 1998, Belgium, *EAA Proceedings*. Belgium.
- Matias-Pereira, J. (2010), *A Governança Corporativa aplicada no setor público brasileiro*. APGS. v. 12 (1): 109-134.
- Mazzotta, R., & Bronzetti, G. (2013). The Impact of Corporate Governance on Internet Financial. Reporting in Concentrated Ownership Companies. In *Organizational Change and Information Systems*. Springer Berlin Heidelberg, pp. 93-108.
- Mendes-da-Silva, W.; Ferraz-Andrade, J. M.; Famá, R. & Maluf-filho, J. A. (2009), *Disclosure via website corporativo: um exame de informações financeiras e de governança no mercado brasileiro*. *RAE: Impresso*; v. 40 (2): 190-205.
- Ming, T. C.; Gul, F. A. & Majid, A. (2016), *Political connections, Institutional Monitoring and Earnings Quality in Malaysia*. School of Business, Monash University. Malaysia.
- Nisiyama, E. K.. (2016), *Diversity of the Management Board and the decision of capital structure*. Doctorate Thesis. Center of Applied Social Sciences, PhD Program in Management, Universidade Presbiteriana Mackenzie, São Paulo, 2016.
- Oliveira, M. C.; Ribeiro, M. S.; Sampaio, M. S. A. & Carvalho, F. A. (2004), *Os efeitos de adoção dos conceitos e das práticas de governança corporativa na transparência das informações evidenciadas por empresas brasileiras do setor de papel e celulose*. Proceedings of Congresso USP de Controladoria, São Paulo.
- Perez, T. A.; Cabedo, J. L. G. (2005), *e-Gobierno corporativo y transparencia informativa en las sociedades cotizadas españolas: un estudio empírico*. Monografia. Dirección de Estudios y Estadísticas, Comisión Nacional del Mercado de Valores, Madrid.
- Pitzer, M. 2011). *A Influência do nível de governança corporativa no valor de mercado das ações das empresas brasileiras negociadas na Bovespa*. Dissertação (Mestrado em Administração e Desenvolvimento Empresarial), Universidade Estácio de Sá, Rio de Janeiro.
- Procianoy, J. L. & Verdi, R. S. (2009). *Adesão aos Novos Mercados da BOVESPA: Novo Mercado, Nível 1 e Nível 2 – Determinantes e Consequências*. *Revista Brasileira de Finanças*. Fevereiro de 2009.
- Silveira, A.M. (2002). *Governança Corporativa, Desempenho e Valor da Empresa no Brasil*. Dissertação (Mestrado) – Faculdade de Economia, Administração e Contabilidade da Universidade de São Paulo, São Paulo.
- Vergara, S. C. (2007). *Projetos e relatórios de pesquisa em administração*. 9. ed. São Paulo: Atlas.
- Weston, J. F. & Brigham, E. (2004). *Fundamentos da administração financeira*. 10. ed. São Paulo: Pearson Makron Books.
- Yin, R. (2003). *Applications of case study research*. London: Sage.

Table 1 – Selected sampling information. (Ref. 20/09/2016)

	Petrobras	Banco do Brasil	Cemig	Sabesp	JBS	Vale	Usiminas	Itaúsa	Ambev
a) Sector	Oil & Gas	Bank	Utilities	Utilities	Food	Mining	Metal	Holding	Beverages
b) Market Value (R\$)	183 Bln	66 Bln	11 Bln	20 Bln	36 Bln	87 Bln	7 Bln	64 Bln	309 Bln
c) Bovespa Segment		Novo Mercado	Nível 1	Novo Mercado	Novo Mercado	Nível 1	Nível 1	Nível 1	
d) Traded in USA	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes

Table 2 – Analysis of political connection (Ref. 20/09/2016)

	Petrobras	Banco do Brasil	Cemig	Sabesp	JBS	Vale	Usiminas	Itaúsa	Ambev
a) State Ownership	60,2%	54,4%	51,0%	50,3%	20,4%	6,4%	0,0%	0,0%	0,0%
b) State Controlled?	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A
c) Board members	6 of 9	4 of 6	8 of 15	6 of 7	N/A	N/A	N/A	N/A	N/A
d) Negative Media	Yes	Yes	Yes	Yes	Yes	N/A	N/A	Yes	N/A
f) Donation for political camp.	N/A	N/A	N/A	N/A	113 Mln	53 Mln	N/A	6,5 Mln	41 Mln

Table 3 - Evidence of corporate governance practices related to property (Ref. 20/09/2016)

Document analysed: Estatuto Social 2015

	Petro	BB	Cemig	Sabesp	JBS	Vale	Usim	Itaúsa	Ambev
a) One share / one vote (Each share must entitle one vote)	0	1	0	1	1	0	0	0	0
b) Corporate agreements available to all owners	1	1	1	1	1	1	1	1	1
c) Owner registration available to all members	1	1	1	1	1	1	1	1	1
d) Attributions of the General Meeting	1	1	1	1	1	1	1	1	1
e) Operation of the General Assembly	1	1	1	1	1	1	1	0	1
f) Minority option (Tag along)	80%	X	80%	X	X	80%	80%	80%	80%
g) Arbitration clause	1	1	0	1	1	0	0	0	0
h) Circulation of a minimum portion of shares of 25% of capital	1	1	1	1	1	1	1	1	1
i) Public offers of outstanding shares for the economic value	1	1	1	1	1	1	1	1	1
j) Voting rights granted to all shareholders	0	1	0	1	1	0	0	0	0

Table 4 – Evidence of corporate governance practices related to the Administrative Board (Ref. 20/09/2016)

Documents analyzed: Regimento Interno do Conselho de Administração e Estatuto Social 2015

	Petro	BB	Cemig	Sabesp	JBS	Vale	Usim	Itaúsa	Ambev
a) Board assignments	1	1	1	1	1	1	1	1	1
b) Advisory Committees	0	1	1	0	1	1	0	1	0
c) Composition of the Board	1	1	1	1	1	1	1	1	1
d) Annual Performance Assessment	1	1	1	0	1	1	0	1	1
e) Mandate of each member	0	0	0	0	1	0	0	1	1
f) Qualification of members	1	0	1	0	1	1	0	1	1
g) Continuing education of counse- lors	1	0	1	0	1	1	0	1	1

Table 5 – Evidence of corporate governance practices related to management (Ref. 20/09/2016)

Document analysed: *Formulário de Referência 2015 e Regimento Interno da Diretoria*

	Petro	BB	Cemig	Sabesp	JBS	Vale	Usim	Itaúsa	Ambev
a) Board of Directors assignments	1	1	1	1	1	1	1	1	1
b) Board Composition	1	1	1	1	1	1	1	1	1
c) Board Remuneration	1	1	1	1	1	1	1	1	1
d) Risk management	1	1	1	1	1	1	1	1	1
e) Disclosure of annual calendar of corporate events	1	1	1	1	1	1	1	1	1

Table 6 – Evidence of corporate governance practices related to the audit (Ref. 20/09/2016)

Document analysed: *Formulário de Referência 2015*

	Petro.	BB	Cemig	Sabesp	JBS	Vale	Usim	Itaúsa	Ambev
a) The company announces contract term	1	1	1	1	1	1	1	1	1
b) Does not perform consulting	1	0	0	1	1	0	0	1	0
c) Provides the board with declara- tion of independence	1	0	0	0	0	1	0	1	0
d) Audit company change after 5 years	1	1	0	1	1	1	1	1	1
e) Fees amount paid for audit	1	1	1	1	1	1	1	1	1

Table 7 – Business Scoring According to Evidence of Compliance with Corporate Governance Practices

Practice classification	Petro	BB	Cemig	Sabesp	JBS	Vale	Usim	Itaúsa	Ambev
Ownership	8	10	7	10	10	7	7	6	7
Administrative Board	5	4	6	2	7	6	2	7	6
Management	5	5	5	5	5	5	5	5	5
Audit	5	3	2	4	4	4	3	5	3
Total	23	22	20	21	26	22	17	23	21

IJSER