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## Perception of corporate sustainability based on practices disclosed by the governance of state-owned companies

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ALTO VALE





## Perception of corporate sustainability based on practices disclosed by the governance of state-owned companies

### Abstract

**Objective:** To investigate the perception of corporate sustainability based on practices disclosed by the governance of federal state-owned companies directly controlled by the Federal Government. **Methods:** This is an exploratory research, with a qualitative approach and analysis of corporate reports. The content analysis was carried out by surveying the compliance between the management reports of the state-owned companies and the *Global Reporting Initiative* framework, by compliance with the economic, environmental, and social guidelines recommended by the regulatory body. **Results:** Corporate sustainability is perceived as the enforcement of cost reduction standards and practices by the governance. The governance of public companies and mixed-capital companies did not present an adequate perception of corporate sustainability as voluntary practices, as they only complied with the requirements resulting from possible inspections. For the governance of state-owned companies, presenting that the guidelines of the economic, environmental, and social pillars have been complied with was a way of presenting themselves as more efficient. Environmental guidelines were the least complied with, despite the fact that many of the state-owned companies carried out the rational use of water, efficient energy consumption, waste management, and solidary selective waste collection. **Contributions:** The governances of state-owned companies were not socially responsible as well, despite the fact that their social indices had better performance than their environmental ones. State-owned companies summarized the social pillar as for providing training for their employees, and disclosed the compliance with recommended guidelines in the economic, environmental, and social pillars as responses to isomorphism and as a tool of legitimacy.

**Keywords:** Corporate Sustainability. Governance. State-owned companies.

## Percepção da sustentabilidade corporativa a partir de práticas divulgadas pela governança de estatais

### Resumo

**Objetivo:** Investigar a percepção acerca da sustentabilidade corporativa por meio de práticas divulgadas pela governança de estatais federais de controle direto da União. **Método(s):** Pesquisa de natureza exploratória, com abordagem qualitativa e análise de relatórios corporativos. A análise de conteúdo ocorreu por meio do levantamento do *compliance* entre os relatórios de gestão das estatais ao *framework* da *Global Reporting Initiative*, via atendimento das diretrizes econômicas, ambientais e sociais recomendadas pelo órgão normativo. **Resultados:** Sustentabilidade corporativa é percebida como execução de normas e práticas de redução de custos pela governança. A governança das empresas públicas e das sociedades de economia mista não apresentaram percepção adequada acerca da sustentabilidade corporativa como práticas voluntárias, pois apenas atenderam às exigências decorrentes de eventuais fiscalizações. Para a governança das estatais, apresentar que as diretrizes do pilar econômico, ambiental e social estavam sendo cumpridas foi uma forma de se apresentarem mais eficientes. As diretrizes ambientais foram as menos cumpridas, apesar de muitas das estatais desempenharem o uso racional da água, consumo eficiente da energia, gerenciamento de resíduos e a coleta seletiva solidária. **Contribuições:** As governanças das



estatais também não se apresentaram socialmente responsáveis, apesar de seus índices sociais apresentarem melhores desempenhos do que os ambientais. As estatais resumiram o pilar social ao oferecimento de treinamentos para seus funcionários, e divulgaram o atendimento de diretrizes recomendadas nos pilares econômico, ambiental e social como respostas a isomorfismo e como ferramenta de legitimidade.

**Palavras-chave:** Sustentabilidade Corporativa. Governança. Estatais.

### **Percepción de la sostenibilidad corporativa a partir de prácticas divulgadas por la gobernanza de estatales**

#### **Resumen**

**Objetivo:** Investigar la percepción acerca de la sostenibilidad corporativa por medio de prácticas divulgadas por la gobernanza de estatales federales de control directo de la Unión. **Método (s):** Investigación de naturaleza exploratoria, con enfoque cualitativo y análisis de informes corporativos. El análisis de contenido se realizó mediante el estudio de *compliance* entre los informes de gestión de las empresas estatales a los *framework*, de la *Global Reporting Initiative*, a través de la atención de las directrices económicas, ambientales y sociales recomendadas por el organismo normativo. **Resultados:** La sostenibilidad corporativa se percibe como la aplicación de normas y prácticas de reducción de costos por parte de la gobernanza. La gobernanza de las empresas públicas y de las sociedades de economía mixta no presentaron una percepción adecuada acerca de la sostenibilidad corporativa como prácticas voluntarias, ya que solo cumplían los requisitos derivados de posibles inspecciones. Para la gobernanza de las empresas estatales, presentar que las directrices del pilar económico, ambiental y social estaban siendo cumplidas fue una forma de presentarse como más eficientes. Las directrices ambientales fueron las menos cumplidas, a pesar de que muchas de las empresas estatales desempeñaron un uso racional del agua, un consumo eficiente de la energía, la gestión de residuos y la colecta selectiva solidaria. **Contribuciones:** Las gobernaciones de las empresas estatales tampoco se presentaron socialmente responsables, a pesar de que sus índices sociales presentaron mejores desempeños que los ambientales. Las empresas estatales resumieron el pilar social ofreciendo capacitaciones para sus funcionarios, y divulgaron el cumplimiento de las directrices recomendadas en los pilares económico, ambiental y social como respuestas a isomorfismo y como herramienta de legitimidad.

**Palabras clave:** Sostenibilidad Corporativa. Gobernanza. Estatales.



## Introduction

The *Global Reporting Initiative* (GRI) framework became the standard most accepted by public entities for equipping corporate sustainability (2016). Corporate sustainability began to be interpreted as a measure of competitive advantage, focusing on the creation of sustainable value for entities (Folan et al., 2005; Elmaci et al., 2016). Under the influence of the GRI, sustainable value began to be measured by the performance of practices carried out by governance in the economic, environmental, and social spheres; and it became a greater measure of value-added for comprising a greater range of management information from these companies.

Different institutional contexts may show the way in which corporate sustainability practices are disclosed by governance agents and how they influence the performance achieved by public entities (Kim et al., 2013; Ortas et al., 2015). Sustainable performance via practices disclosed by governance does not disregard the factors of the economic, regulatory, market environments, and society in general. Regardless of these, the context of sustainability practices represents a key element in highlighting how sustainable performance can be achieved by public entities (Miroshnychenko et al., 2018).

The characteristics of the governance boards and committees influenced the way in which governance agents disclose corporate sustainability practices (Liao et al., 2015). Most agents do so aiming at remaining in their governance positions for a longer period of time, at the expense of adding sustainable value to the operations of the state-owned companies (Cai et al., 2011; Oh et al., 2011; Dam et al., 2013; Wang et al., 2014; Teixeira et al., 2017; Hussain et al., 2018).

By proposing to investigate the perception of corporate sustainability via reports disclosed by the governance of state-owned companies, this research goes beyond the observation, for example, of what relationships exist between the characteristics of governance and the factors that motivate disclosure. In order for this investigation to be feasible, we sought to answer the following question: *what is the perception of corporate sustainability when investigating practices disclosed by the governance of federal state-owned companies directly controlled by the Federal Government?*

The motivation for this study was to analyze how corporate sustainability can be perceived by users in terms of economic, environmental, and social practices disclosed by the governance of federal state-owned companies directly controlled by the Federal Government, in addition to external factors or characteristics of governance committees. We chose public and mixed-capital companies because they are located in a regulated environment with a strict regulatory structure, but with a more dynamic corporate environment compared with other companies (Santana, 2006). Both types represent the most direct form of State intervention, because they control most of the sectors that produce goods that are intermediate to society.

The products and services of state-owned companies are directly related to meeting the demands of the government and society, which requires them to present a sustainable corporate performance that is guaranteed and maintained over the years. This is the gap that we intend to clarify in the proposed study: whether the continuity of state-owned companies, both public and mixed-capital, guarantee that society's demands are met in the long term; and whether this continuity may be linked to how the corporate sustainability of these companies is perceived by their governance agents. In addition, the importance of this study lies in expanding knowledge of the perception of corporate sustainability both by the internal environment and



the environment external to the state-owned companies, focusing on practices disclosed by economic, environmental, and social pillars in public and mixed-capital companies.

## Theoretical Framework

### *Governance, corporate sustainability, and information disclosure*

**Regulatory and managerial approach.** The European Environment Agency (EEA) was one of the first bodies to establish standards and policies aimed at structuring the corporate sustainability assessment process in public companies (European Environment Agency, 2020). EEA standards are distributed among the following operating areas of these companies: natural capital, green economy, health, member countries' rights, global challenges, and knowledge (European Environment Agency, 2020).

Environmental policies to protect wildlife, soil, seas, and forests represent natural capital. Innovation, resource efficiency, waste prevention and management comprise the area called green economy. Actions to prevent noise and air pollution, maintain clean water, and safe use of chemicals represent the health area; and actions aimed at the application of environmental legislation represent the area of member countries' rights.

Global challenges include actions resulting from climate change and the structure of work in the internal environment of public companies, and the area of knowledge focuses on the development of scientific methods to improve environmental policies. The International Organization for Standardization (ISO) was another organization that also contributed to structuring the processes for measuring corporate sustainable performance (International Organization for Standardization, 2020) in public companies.

ISO was created in 1946 and initially worked with the development of standards aimed at improving the production process in industries. The organization established standards that could be adapted to measure sustainability only in 1971. That same year, the organization focused on environmental issues with the creation of two technical committees for the certification of water and air quality and established the standard 14001 in 1996 as the first environmental management standard.

The guidelines for identifying and controlling the environmental impact of ISO 14001 provided the first insights for corporate sustainability assessment systems to be created (International Organization for Standardization, 2020) in public companies. In 2010, ISO established the standard 26000 with social responsibility guidelines to support the sustainability assessment processes in these entities and recommendations for organizational practices for good governance (Associação Brasileira de Normas Técnicas, 2010).

ISO 26000 tested the assessment of corporate sustainability with the recommendation of procedures to integrate social responsibility with other organizations, assess the improvement of their performance, and recommend voluntary initiatives (Associação Brasileira de Normas Técnicas, 2010). The ISO 26000 approach emphasized sustainability as one of the alternative topics of social responsibility, which led much of the literature to deem it as its conceptual basis (Carrol, 1999).

In 2011, ISO reinforced the assessment of actions taken in the environmental pillar by the standard 50001, which established procedures to manage energy efficiency, cost reduction, and improvement of energy performance in production. In 2018, ISO reinforced performance assessment in the social pillar by establishing standards to structure occupational safety and health management systems, aiming at reducing illnesses and injuries at the workplace (International Organization for Standardization, 2020).





The United Nations Principles for Responsible Investment (UNPRI) was one of the United Nations' first framework proposals to regulate sustainable corporate performance (*United Nations Principles*, 2020). The framework was initially aimed at evaluating sustainable investments, but its main contribution was to present guidelines for measuring environmental, social, and governance performance by nonfinancial indicators (2020).

For public companies, the first initiative to formalize the use of corporate sustainability indicators took place under Directive 2003/51 on the Modernization of Accounts issued by the European Union (Bassen et al., 2008; *The EU*, 2020). The directive established that the assessment of sustainability should cover nonfinancial aspects through environmental and social indicators in such a way that the sustainable performance of these companies could be better understood (*The EU*, 2020).

After establishing Directive 2003/51, the United Kingdom government published guidelines for the development of key indicators to support the assessment of environmental and social performance (Bassen et al., 2008) in public companies. The German Society of Investment Professionals (DVFA) applied the Directive as recommendations to prepare reports to highlight environmental and social performance.

The DVFA standards proposed a kind of “sustainable seal” to public companies that met the environmental and social performance assessment criteria, and prepared their reports in accordance with those criteria (German Society of Investment Professionals, 2020). The managerial approach to sustainable corporate performance was based on information disclosed by financial accounting to assist decision-makers in the use of mechanisms to measure and evaluate it (Hammad et al., 2012).

EEA, ISO, the European Union, and DVFA were responsible for equipping corporate sustainability by regulatory means and based on financial accounting, extending to public companies. Each of the standards defined by these bodies added aspects that helped to assess sustainability by the governance of public companies or mixed-capital companies; and later, by the external oversight and control bodies based on financial accounting parameters.

Despite the efforts of these bodies to equip corporate sustainability, it was only later that this approach began to use management accounting as the conceptual basis and the main source of information in its measurement and evaluation process (De Beer et al., 2006; Pfitscher, 2004).

Some authors argued that the adaptation of management artifacts to assess corporate sustainability fell under an improved organizational performance assessment (Hřebíček et al., 2011). The development and insertion of metrics that reflected economic, environmental, and social performance as a process for assessing corporate sustainability modified the vision of organizational performance assessment systems (Kaplan et al., 1997).

Governance and management of public entities began to use the performance evaluation system to coordinate the alignment between sustainability indicators, organizational functions, and hierarchical levels (Melnyk et al., 2004), which resulted in an approach to sustainability that can be measured via economic, social, and environmental performance by the quantification of information according to performance indicators (Hřebíček et al., 2011). This approach is what currently equips corporate sustainability; and it is constantly adapting due to the different activities internalized by companies; and, especially, public ones.

**Global Reporting Standards — *Global Reporting Initiative (GRI)*.** GRI began its activities in 1997 as a pioneer in establishing guidelines based on the theory of the three pillars to measure corporate sustainability and highlight them in sustainability reports (Global Reporting Initiative, 2020). The organization formed by companies, civil associations, and other entities resulted from a joint initiative between the Coalition of Environmentally



Responsible Economies and the United Nations Environment Program (UNEP) (Campos et al., 2013).

The GRI standards have become the most accepted in the world (Global Reporting Initiative, 2020), as they define corporate sustainability as the integrated assessment of economic, social, and environmental performance adaptable to any organization. The performance measurement and evaluation processes in public companies were modified by incorporating the GRI guidelines based on the new concept of sustainability (Hřebíček et al., 2011).

In the case of state-owned companies, GRI (2020) established standards that reduced the gap between financial and nonfinancial performance and allowed the comparison of corporate sustainability between its various sectors of activity. The GRI standards presented a modular and interrelated structure with guidelines for providing information in reports and evaluating performance by economic, environmental, and social activities (Global Reporting Initiative, 2020).

The Global Standard consolidated guidelines for organizations from all sectors, aiming at guiding them in highlighting how they contribute to sustainability and in measuring the economic, environmental, and social impacts on society. GRI defended the Global Standard as an advance due to its flexible structure, with clearer guidelines and simpler language. These guidelines derived from the main, improved concepts and standards of GRI G4.

The Global Standard was divided between universal and specific standards. The specific standards included three standards that established guidelines as best economic, environmental, and social practices, especially for state-owned companies (Global Reporting Initiative, 2016). GRI also provided a consolidated set of its standards, a glossary to assist in their interpretation, and three transition standards: water, effluents and waste; health; and safety at work, as a basis for those that would come into force in 2020 and 2021.

The universal standards GRI 101, 102, and 103 introduced guidelines applicable to the management reports of state-owned companies. These standards were published in 2016 and came into force on July 1, 2018 (Global Reporting Initiative, 2020). The GRI 101 provided general guidelines as a starting point for state-owned companies that were encouraged to adopt the integrated reporting model based on the global standard (Global Reporting Initiative, 2016), upon approval of Law No. 13.303 in 2016, commonly known as the “Brazil’s State-Owned Companies Law.”

Upon approval of this law, Brazilian state-owned companies were encouraged to adopt the Integrated Reporting model of the GRI Global Standard (2016) to prepare their management reports, integrating information from their governance and sustainability. The publication of management reports in the integrated reporting model became mandatory by the Normative Decision No. 178/2019 of the Federal Accounting Court (*Tribunal de Contas da União – TCU*), which maintained the guidelines of all the frameworks of the GRI Global Standard (2016) to structure and disclose them.

The GRI Global Standard began to be used as the main framework for the governance of public companies to equip corporate sustainability. The actions carried out by the different hierarchical levels in most of these companies began to be taken through economic, environmental, and social performance, in accordance with the GRI standards 200, 300 and 400, which establish guidelines and indicators that define each of these performances respectively.

The governance of state-owned companies began to assess corporate sustainability in such companies based on economic, environmental, and social indicators of standards 200, 300, and 400; this was evidenced in an integrated way with the practices carried out by governance and focused on value creation. The standards of the GRI 200 group provided



guidelines for evaluating the performance of economic activities, considering a series of other standards and the implementation of their performance indicators; likewise, the standards of the GRI 300 group provided guidelines for assessing the performance of environmental activities; and those of the GRI 400 group, for assessing the performance of social activities.

The standards that compose the GRI 200 group are: economic performance (GRI 201), market presence (GRI 202), indirect economic impacts (GRI 203), acquisition practices (GRI 204), anti-corruption practices (GRI 205), anti-competitive behavior (GRI 206), and taxes (GRI 207). These standards range from the economic value generated and distributed by the public company, obligations related to its benefit plans, and assistance received by the government, to the practices of preparing tax reports with the objective of increasing transparency and promoting trust and credibility of its practices; and of its tax system.

The standards that compose the GRI 300 group are: materials (GRI 301), energy (GRI 302), water and effluents (GRI 303), biodiversity (GRI 304), emissions (GRI 305), waste (GRI 306), environmental compliance (GRI 307), and environmental assessment of suppliers (GRI 308). These standards range from the measurement of the environmental impact and the practices for the use of renewable and non-renewable materials and the conservation of those resources by public companies, to their approach to avoid and reduce negative environmental impacts in their supply chain and in the practices of evaluating their suppliers by criteria related to water, gas emissions, or energy.

The standards that compose the GRI 400 group are: employment (GRI 401), work-business relations (GRI 402), occupational health and safety (GRI 403), training and education (GRI 404), diversity and equal opportunities (GRI 405), nondiscrimination (GRI 406), freedom of association and collective bargaining (GRI 407), child labor (GRI 408), forced or compulsory labor (GRI 409), safety practices (GRI 410), rights of indigenous peoples (GRI 411), human rights assessment (GRI 412), local communities (GRI 413), social assessment of suppliers (GRI 414), public policy (GRI 415), customers' health and safety (GRI 416), marketing and labeling (GRI 417), customers' privacy (GRI 418), and socioeconomic compliance (GRI 419). Standards of the 400 group range from the working conditions offered by the public company, employment and job creation through hiring, recruitment, and retention, to the company's compliance with declarations, conventions, international treaties, national, regional, and local regulations in the social and economic spheres on the part of the company.

Based on the conceptual scope of these guidelines, specific indicators were defined in such a way that the enforcement of each of them, which characterizes corporate sustainability, is measured regardless of the structure, size, or type of activity performed by public companies and other companies.

### **Previous Studies**

Other studies were previously developed, taking into account aspects of the internal and external environment of public companies to measure the sustainable performance of organizations, such as characteristics of the agents that compose the governance; or their respective actions in management positions, in addition to other aspects, as presented in Table 1.



**Table 1***Previous studies and their main results.*

Studies	Main results
Björkman et al. (2008)	The way in which governance agents carry out their activities and sustainable corporate performance was achieved, working as a measure to assess how the institutional context of governance practices had influenced performance.
Cai et al. (2011)	The enforcement of governance practices by the agents demonstrated an institutional context favorable to achieving better sustainable performance.
Dam et al. (2013)	The participation of the State, banks, and institutional investors in the capital structure of public entities, including state-owned ones, influenced the way in which governance operated and sustainable performance was achieved.
Liao et al. (2015)	Companies with a higher percentage of women on the board, with independent members, or with a greater number of investors showed better sustainable corporate performance.
Dixon-Fowler et al. (2017)	Different governance units influenced the sustainable performance of these entities in different ways; and, especially, when their governance had environmental management positions.
Teixeira et al. (2017)	The unfavorable institutional context may show that governance agents may be implementing practices to legitimate themselves in their positions, instead of adding sustainable value to their operations.
Miroshnychenko et al. (2018)	Institutional governance characteristics, such as board size, relationship with the market, and ownership structure, were also related to the sustainable performance of companies.

**Source:** Prepared by the author (2023).

The proposed study advances in relation to those presented in Table 2, insofar as it will investigate how corporate sustainability, as a more specific concept than sustainable performance, is being perceived by the governance agents of state-owned companies and mixed-capital companies, considering that most of these studies have focused on companies from other sectors and branches; in addition to investigating practices carried out by governance without having previously evaluated the perception of their agents concerning what corporate sustainability represents for them; and how this perception can influence the performance of companies.

## Methodology

The investigation was conducted with the analysis of the content of management reports published by federal state-owned companies directly controlled by the Federal Government on their institutional websites between 2017 and 2019. The survey of practices implemented by governance was carried out in accordance with the GRI Global Standard framework (2016).

The 197 Brazilian federal state-owned companies presented in the website *Panorama das Estatais* (Overview of State-owned Companies) in 2020 were selected as the research universe (Secretaria de Coordenação e Governança das Empresas Estatais, 2020). Of the 197, the subsidiaries and those that had headquarters abroad were excluded because they were located in another legal and regulatory environment, which could bias the results of the proposed study or make it impossible to analyze management reports in a standardized manner.

A total of 26 subsidiaries from Banco do Brasil (BB), two from the Brazilian Development Bank (BNDES), five from Caixa Econômica Federal, 69 from Eletrobrás S.A., and 49 from Petrobrás S.A. were excluded, remaining the 46 state-owned companies directly controlled by the Federal Government, of which 20 were mixed-capital companies and 26 were public companies. Of the 46, 19 did not submit management reports on their websites between



2017 and 2019, which led them to be withdrawn, resulting in 27 participating state-owned companies, of which 16 are public companies and 11 are mixed-capital companies, as shown in Table 2.

**Table 2**

*State-owned companies participating in the study, according to their type.*

State-owned companies	Type
1. Banco da Amazônia S/A — Banco da Amazônia	Mixed-capital company
2. Banco do Brasil S/A – BB	Mixed-capital company
3. Banco do Nordeste do Brasil S/A – BNB	Mixed-capital company
4. Brazilian Development Bank — BNDES	Public company
5. Centrais Elétricas Brasileiras S/A – Eletrobras	Mixed-capital company
6. Centro Nacional de Tecnologia Eletrônica Avançada S/A – CEITEC	Public company
7. Companhia Docas do Espírito Santo – CODESA	Mixed-capital company
8. Santos Port Authority – CODESP	Mixed-capital company
9. Empresa Brasil de Comunicação – EBC	Public company
10. Empresa Brasileira de Administração de Petróleo e Gás Natural – PPSA	Public company
11. Empresa Brasileira de Correios e Telégrafos – ECT	Public company
12. Empresa Brasileira de Hemoderivados – HEMOBRÁS	Public company
13. Empresa Brasileira de Infraestrutura Aeroportuária – INFRAERO	Public company
14. Brazilian Agricultural Research Corporation – EMBRAPA	Public company
15. Empresa Brasileira de Serviços Hospitalares – EBSEH	Public company
16. Energy Research Office — EPE	Public company
17. Empresa de Planejamento e Logística S/A – EPL	Public company
18. Empresa Gestora de Ativos – EMGEA	Public company
19. Financiadora de Estudos e Projetos – FINEP	Public company
20. Hospital de Clínicas de Porto Alegre – HCPA	Public company
21. Hospital Nossa Senhora da Conceição S/A – CONCEIÇÃO	Mixed-capital company
22. Indústria de Material Bélico do Brasil – IMBEL	Public company
23. Indústrias Nucleares do Brasil S/A – INB	Mixed-capital company
24. Nuclebrás Equipamentos Pesados S/A – NUCLEP	Mixed-capital company
25. Petróleo Brasileiro S/A – PETROBRAS	Mixed-capital company
26. Serviço Federal de Processamento de Dados – SERPRO	Public company
27. Telecomunicações Brasileiras S/A – TELEBRAS	Mixed-capital company

**Source:** Adapted from *Panorama das Estatais* (2020).

The 27 participating state-owned companies are distributed among the five regions of Brazil: North, Midwest, Northeast, Southeast, and South, located in the states of Pará (1), Goiás/Federal District (12), Ceará (1), Rio de Janeiro (8), Espírito Santo (1), São Paulo (1), and Santa Catarina (3). The 27 surveyed state-owned companies have direct controlling interest from the Federal Government, with 12 depending on resources from the Brazilian Treasury and 15 that are independent; as for their sectors of activity, 22 operate in the productive sector and five in the financial sector.

In order for the data to be collected, the sections of the reports referring to the details of the practices carried out by the governance, its strategies, the allocation of resources, and the economic, environmental, and social performance achieved by the state-owned companies



were analyzed from the perspective of quantifying the content. The content was quantified by prior reading of the reports, to categorize which corporate sustainability practices were enforced by the audit committee and the board of directors, executive board, auditing department, and internal auditing department.

The perception of corporate sustainability was categorized between economic, environmental, and social dimensions by compliance, whether or not it complied with the guidelines of standards 200, 300, and 400 of the GRI Global Standard (2016), which took place as follows: for each practice of the GRI framework (2016) that complied with the management report, the value of one (1) was assigned; and in the absence of this practice, the value of zero (0) was assigned. All practices identified with one (1) were added to determine the number of practices enforced by the board of directors, the audit committee, auditing department, and internal auditing department in the state-owned companies in the economic, environmental, and social pillars, using the guidelines recommended by the GRI standards 200, 300, and 400 and which were complied with by each of the state-owned companies participating in the study.

The standards that compose the GRI 200 group are: economic performance (GRI 201), market presence (GRI 202), indirect economic impacts (GRI 203), acquisition practices (GRI 204), anti-corruption practices (GRI 205), anti-competitive behavior (GRI 206), and taxes (GRI 207). These standards were selected because they range from the economic value generated and distributed by the public company, obligations related to its benefit plans, and assistance received by the government, to the practices of preparing tax reports with the objective of increasing transparency and promoting trust and credibility of its practices; and of its tax system.

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## **Analysis of Results**

### ***Perception of corporate sustainability based on the practices disclosed in the reports***



**Economic performance practices.** In 2017, 26 state-owned companies reported the economic value retained and distributed, resulting from the difference between their operating costs and their revenues, although the 27 companies selected for the study presented their amounts of revenues and operating costs for the year. Only eight state-owned companies assessed the risks and opportunities resulting from climate change, with the respective management actions carried out. Of the eight, only five calculated the impact and cost of these actions for the state-owned companies. The economic results that stood out as the most relevant to define the perception of corporate sustainability are presented in Table 3.

**Table 3**

*Main economic practices carried out by state-owned companies in the triennium (2017-2019).*

<b>2017</b>	22 state-owned companies stated that they have an implemented tax strategy, with 17 reviewing that strategy; and 13 relating this strategy to the sustainable development approach.
<b>2018</b>	26 state-owned companies continued to report on the retained economic value or the value resulting from the difference between the amount of their revenues and their operating costs, although all the state-owned companies continued to disclose their revenues and costs as in 2017.
<b>2019</b>	26 state-owned companies remained with investments in infrastructure and support services, but one failed to calculate the impacts of these types of investments and two failed to highlight them. 21 continued to calculate and highlight the indirect economic impacts of investments made in benchmarks.

**Source:** Research data (2020).

Table 3 showed a certain discrepancy between the sustainability strategy and its enforcement, especially with regard to investments. This discrepancy indicates that governance even understands the importance of adopting the strategy in the state-owned companies, although with evidence of a ceremonial implementation, as its enforcement does not occur in an aligned manner in all companies and at the same intensity.

A total of 13 state-owned companies participated in retirement plans, with seven of them having pension plans for their employees. Of the seven, only four presented the estimated liabilities to cover their plans, with the respective basis of the estimates. The governances of 19 state-owned companies presented the government's participation in their shareholder structures. Six of them stated that they had received tax benefits and credits; and five reported that they had received subsidies, incentives, and other benefits.

Eight state-owned companies reported paying their employees above the minimum wage and only four calculated the proportion between the lowest wage paid by the company and the minimum wage, with two of them having hired senior management agents from the local community. All state-owned companies made investments in infrastructure and support services, with 23 of them calculating the impacts of those investments. Among the 23, 20 calculated the indirect economic impacts on investments made in benchmarks.

A total of 18 state-owned companies identified risks related to corruption; 17 offered training on anti-corruption practices to governance agents; and 16 offered this training to other employees. None of the state-owned companies presented confirmed corruption cases in 2017. In addition, only one state-owned company was involved in legal proceedings for anticompetitive behavior, antitrust behavior, or monopoly practices.

Also, in 2017, of the 22 state-owned companies with an implemented tax strategy, only 19 had a structure of tax governance, control, and risk management; and 22 state-owned companies reported that they had guaranteed the disclosure of their tax information. Another 22 state-owned companies stated that they participated in public policies that favored the engagement of interested parties and the management of tax issues, with 20 of them disclosing their financial statements consolidated and audited in tax reports.



In 2018, two state-owned companies failed to calculate the risks and opportunities derived from climate change and one failed to present its management actions for these changes. Five state-owned companies continued to calculate and highlight the cost of these actions. One state-owned company started having retirement plans and three, pension plans. Four state-owned companies started showing the estimated liabilities to cover these plans, with three presenting the basis for these estimates.

Six state-owned companies started presenting the time defined for full coverage of retirement and pension plans; and five started calculating the period in which these benefits would begin to be paid to employees. Two state-owned companies stopped receiving government tax benefits and credits in 2018. Conversely, two companies started receiving incentives and other types of benefits; and five started showing the participation of the government in their shareholder structures.

Two state-owned companies began to calculate and highlight the proportion between the lowest wage paid by the company and the minimum wage; and to remunerate their employees above the minimum wage. Other two stopped hiring senior management agents from the local community. One state-owned company stopped investing in infrastructure and support services, but four of those that maintained those investments began to calculate their impacts, including one calculating the indirect impacts of investments in benchmarks.

Two state-owned companies no longer had a purchasing budget intended to cover the expenses incurred with local suppliers; and one state-owned company failed to identify risks related to corruption in its activities. Four state-owned companies stopped offering training on anti-corruption practices to government agents, and two stopped offering it to employees. Nine state-owned companies continued to offer this training to business partners, as in 2017.

In 2018, two state-owned companies confirmed cases of corruption, with dismissals carried out as punishment for these cases. One state-owned company terminated/did not renew the contract resulting from the confirmation of these cases, in addition to the institution of legal proceedings by two state-owned companies. Two state-owned companies also started implementing a tax strategy, three began to review it and assess its compliance; and one of them began to relate its tax strategy to the sustainable development approach.

Still in 2018, 19 state-owned companies continued with their tax governance, controls, and risk management structure, but one of them failed to ensure the disclosure of tax information, in addition to the financial statements in other reports. In 2019, one state-owned company stopped reporting the retained economic value, as a result of the difference between the amount of its revenues and its operating costs. One state-owned company also stopped disclosing its revenues and operating costs that year.

Six state-owned companies continued to identify the risks and opportunities derived from climate change; one began to carry out actions to manage those changes; and five continued to calculate the costs of those actions. Three state-owned companies no longer have pension plans; and four stopped participating in retirement plans. Another three state-owned companies failed to show the estimated liabilities to cover these plans, and two failed to show the basis of these estimates.

Two state-owned companies stopped receiving benefits, tax credits, and subsidies. Six continued to receive incentives, one receiving assistance from governments of other countries; and four stopped presenting the government's participation in their shareholder structure. Three state-owned companies failed to calculate the proportion between the lowest wage paid by the state-owned company and the minimum wage. One stopped paying its employees above the minimum wage and hiring agents for senior management in the local community.

Still in 2019, one state-owned company started having a purchasing budget for local suppliers. Three state-owned companies began to identify corruption risks in activities; and





four began to offer training on anti-corruption practices to governance agents and their employees. Nine remained offering this training to business partners. Two state-owned companies confirmed cases of corruption in 2019. One of them carried out dismissals as a form of punishment for these cases. Although no state-owned company terminated or failed to renew contracts, three instituted legal proceedings to investigate these cases.

One state-owned company was involved in lawsuits, with achieved results, related to anticompetitive behavior, antitrust, and for having carried out monopoly practices. In addition, 24 state-owned companies continued to have their tax strategy in operation. In addition to the 24 state-owned companies with a tax strategy in 2019, 20 continued to review it, and 25 evaluated its compliance. One failed to relate the tax strategy to the sustainable development approach, and 19 remained with their tax governance.

As in 2018, 21 state-owned companies continued to assess tax governance compliance and to guarantee the disclosure of information in other tax reports, in addition to the financial statements. The average of the GRI 200 (2016) economic guidelines complied with was 35 guidelines, with 11 complied with in 2017 and 2019; and 12 in 2018. These results showed poor economic performance among the state-owned companies as a pillar of sustainable corporate performance.

The slight variation between the number and types of guidelines complied with pointed to the regulatory perception of governance regarding corporate sustainability, by evidencing the distance between its practices and the economic performance achieved by some state-owned companies. These results also confirm evidence of a regulatory perception, due to the disparity between the number of practices carried out by its units and the low level of economic guidelines complied with on a voluntary basis.

The guideline most complied with by the state-owned companies concerned the disclosure of their amount of revenues and operating costs. The existence of laws that require state-owned companies to disclose this information supports the evidence of regulations. Its influence established a turning point by governance agents of the state-owned companies, in which economic guidelines with enforcement established by laws were more complied with than guidelines that could be enforced on a voluntary basis.

Governance regulations were also perceived by economic performance and the aspects of non-rationality identified in “starting to comply” or “failing to comply” with certain guidelines in the triennium. The economic guidelines most complied with concerned the calculation of the basis for the estimation of pension plans and the period for the payment of benefits to employees, with an average deviation of 23 economic guidelines complied with among state-owned companies.

The guidelines most complied with and with the greatest deviation may have been used by governance as a way of presenting themselves as economically sustainable, as identified in the study by Teixeira et al. (2017), in which the unfavorable institutional context demonstrated that governance agents were enforcing practices to legitimate themselves in their positions, instead of adding sustainable value to the companies’ operations. Despite the low level of compliance with economic guidelines, the governances of the state-owned companies expressed a greater interest in presenting themselves as more responsible about anti-corruption practices, disclosure of information, and with a strong tax governance structure.

**Environmental performance practices.** In 2017, 14 state-owned companies used recycled materials as inputs in their activities, seven used renewable materials; and only one stated that it had used non-renewable materials. Regarding the energy consumption of the state-owned companies, 22 identified the total electricity used in the activities, 21 reported the amount of energy consumed; and 17 reported the total cost of that consumption. The



environmental results that stood out as the most relevant to define the perception of corporate sustainability are presented in Table 4.

**Table 4**

*Main environmental practices carried out by state-owned companies in the triennium (2017-2019).*

<b>2017</b>	The intensity of total energy consumption was presented by 15 state-owned companies, ten measured the intensity of that consumption using an intensity index, 18 reduced energy consumption, and 12 detailed the types of energy when calculating this reduction.
<b>2018</b>	Four state-owned companies stopped using recycled materials as inputs in their activities, two started using renewable materials; and five started using non-renewable materials. 23 identified the total electricity used in the activities, two started calculating the amount of energy consumed; and five started reporting the total cost of that consumption.
<b>2019</b>	One state-owned company stopped using recycled materials as inputs in its activities, nine remained using renewable materials; and one started using non-renewable materials in its activities. One failed to identify the total electricity used in the activities, to report the amount of energy consumed and the total cost of that consumption.

**Source:** Research data (2020).

Table 4 showed a certain discrepancy between the information disclosed about the monitoring of energy consumption and what actions were taken by the governance of state-owned companies to actually save it; in addition to the disclosure of practices for the use of recycled materials in reports and those that followed this procedure. This discrepancy points to a certain intention on the part of the governance to present lower energy consumption by companies and more environmental awareness in the use of recycled materials, although with evidence of ceremonialism in the actual implementation of these practices in the companies, considering the variations identified in the enforcement of these practices in the triennium.

These results corroborate the study by Miroshnychenko et al. (2018), who identified institutional characteristics of governance, such as board size, relationship with the market, and ownership structure, as variables that influence the sustainable performance of companies. The proposed study went further, as it expanded these results, identifying that sustainable performance starts, much earlier, from the way in which governance perceives the execution of corporate sustainability in the state-owned companies.

Regarding the use of water as a shared resource, 19 state-owned companies worked with its withdrawal, consumption, or disposal, with only 15 mapping the impacts of these activities and 14 having defined objectives and targets for them. Ten state-owned companies had internal quality standards to manage the impacts of water discharge, with only two extracting water from surface and underground sources; and one of them considering limits for substances existing in the returned water.

None of the state-owned companies had accidents resulting from nonconformity with the water discharge process; and 15 state-owned companies calculated the total consumption of water used in their activities, with seven presenting the actual calculation of that consumption. Only three state-owned companies presented the geographical location in which they operate, with high biodiversity value; and 12 state-owned companies presented ecological processes to compensate for the impacts caused by their activities on biodiversity.

Three state-owned companies detailed the size and location of protected or restored habitats and the protection status of these habitats by area; and only two detailed the threatened and vulnerable species affected by their activities. Regarding the emission of greenhouse gases, five state-owned companies accounted for direct emissions; and only three of them reported



the amount emitted. Conversely, one state-owned company accounted for indirect emissions and reported the amount emitted.

Two state-owned companies measured the intensity of indirect greenhouse gas emissions using indices, with the metric defined for their calculation. Two state-owned companies reduced atmospheric gas emissions, with only one presenting the type of reduced gases. Only one state-owned company reported emitting ozone (O<sub>3</sub>), nitrogen dioxide (NO<sub>2</sub>), and sulfur (SO<sub>2</sub>) in the performance of its activities. In addition, two reported the calculations and the calculation standards for the emission of these gases.

Regarding waste, 23 state-owned companies mapped the impacts related to its generation on activities, 12 mapped the impacts on their value chains, 21 took actions to optimize its generation, and 14 calculated the amount generated by composition. Five state-owned companies redirected hazardous waste from disposal to reuse and recycling, in opposition to 14 state-owned companies that redirected nonhazardous waste for reuse and 15 for recycling.

Five state-owned companies had other disposal operations for hazardous and nonhazardous waste generated in their activities, seven stated that they would carry out the external disposal of this waste, and only five detailed the data related to this disposal. Three state-owned companies paid fines for noncompliance with environmental legislation, two were sanctioned, and one was involved in legal proceedings. Moreover, eight state-owned companies selected suppliers based on environmental criteria; and five evaluated the environmental impact of those suppliers.

In 2018, the intensity of total energy consumption was presented by 19 state-owned companies, 15 measured the intensity of that consumption using an intensity index, 24 reduced energy consumption, and 19 detailed the types of energy when calculating this reduction. Processes to better manage energy consumption were improved in 2018. A larger number of state-owned companies began to measure the intensity of total energy consumption with indices, to reduce this consumption, and to present the calculation of this reduction.

Ten state-owned companies started reducing energy consumption when requesting products or services, with seven of them presenting the calculation basis for reducing consumption, and six of them presenting the actual calculation of this reduction. Regarding the use of water as a shared resource, four state-owned companies started working with its withdrawal, consumption, or disposal, with 19 companies mapping the impacts of these activities and 18 having defined objectives and targets for them. Ten state-owned companies still have internal quality standards to manage the impacts of water discharge, with four companies extracting water from surface and underground sources; and two of them considering limits for substances existing in the returned water.

None of the state-owned companies had accidents resulting from nonconformity with the water discharge process in 2018; and 22 started presenting the total consumption of the used water, with 14 presenting the actual calculation of this consumption. Seven state-owned companies began to present the geographical location in which they operate, with high biodiversity value; and 15 state-owned companies presented ecological processes to compensate for the impacts caused by their activities on biodiversity.

Four state-owned companies began to detail the size and location of protected or restored habitats and the protection status of those habitats by area; one began to detail the threatened species and another failed to detail the vulnerable ones affected by their activities. Regarding the emission of greenhouse gases, one state-owned company started accounting for direct emissions; and two of them started reporting the amount emitted. In addition, three state-owned companies started accounting for indirect emissions, with two reporting the amount emitted.



One state-owned company began to measure the intensity of indirect greenhouse gas emissions using indices, with the metric defined for their calculation. Three state-owned companies began to reduce the emission of these gases and to present the types that had their emissions reduced. One state-owned company started emitting ozone (O<sub>3</sub>), nitrogen dioxide (NO<sub>2</sub>), and sulfur (SO<sub>2</sub>) in the performance of its activities. Furthermore, two began to calculate and report the calculation standards for the emissions of these gases in 2018.

Three state-owned companies failed to map the impacts of waste generation on activities, five began to map the impacts on their value chains, two began to carry out actions to optimize its generation, and five began to calculate the amount generated by composition. Two state-owned companies began to redirect hazardous waste from disposal to reuse and one to recycling, with 16 state-owned companies redirecting nonhazardous waste for reuse and 17, for recycling.

In 2018, five state-owned companies continued using other operations to eliminate hazardous and nonhazardous waste, three began to carry out the external disposal of that waste, and two began to detail the data related to that disposal. Only one state-owned company paid a fine for noncompliance with environmental legislation and one was involved in legal proceedings. Moreover, six state-owned companies began to select suppliers based on environmental criteria and seven began to assess the environmental impact of those suppliers.

In 2019, the intensity of total energy consumption continued being calculated by 19 state-owned companies. Three failed to measure the intensity of consumption according to the intensity index and to reduce energy consumption; and two stopped detailing the types of energy in this calculation. Unlike 2018, the state-owned companies stopped measuring the intensity of total energy consumption by indices, reducing their consumption, calculating this reduction, and presenting it in their reports in 2019.

Only ten state-owned companies continued reducing energy consumption when requesting products or services, with six of them presenting the calculation basis for reducing consumption and the actual calculation of this reduction. Regarding the use of water as a shared resource, two state-owned companies stopped working on its withdrawal, consumption, or disposal, with 17 mapping the impacts of these activities based on defined objectives and goals.

Ten state-owned companies still have internal quality standards to manage the impacts of water discharge, with three companies extracting water from surface and underground sources; and one of them considering limits for substances existing in the returned water. None of the state-owned companies had accidents resulting from nonconformity with the water discharge process in 2019; and 20 calculated the total consumption of the used water, with only 12 presenting the actual calculation of this consumption.

Three state-owned companies began to present the geographical location in which they operate, with high biodiversity value; and one state-owned company failed to present ecological processes to compensate for the impacts caused by their activities on biodiversity. Two state-owned companies failed to detail the size and location of protected or restored habitats and the protection status of those habitats by area; one failed to detail the threatened species and another continued detailing the vulnerable species affected by its activities.

As for the emission of greenhouse gases, one state-owned company stopped accounting for direct emissions; and five continued reporting the amount emitted. Moreover, four state-owned companies continued to account for indirect emissions, with three reporting the amount emitted. One state-owned company began to measure the intensity of indirect greenhouse gas emissions using indices, with the metric defined for their calculation. One state-owned company began to reduce the emission of these gases and to present the types that had their emissions reduced.



One state-owned company stopped emitting ozone ( $O_3$ ), one started emitting nitrogen dioxide ( $NO_2$ ), and two continued emitting sulfur dioxide ( $SO_2$ ). One state-owned company started calculating the amount of emitted gases and two stopped reporting the standards for this calculation. Two state-owned companies began to map the impacts of waste generation on activities, three began to map the impacts on their value chains, 23 continued carrying out actions to optimize its generation, and 19 started calculating the amount generated by composition.

Seven state-owned companies continued to redirect hazardous waste from disposal to reuse and one stopped redirecting it to recycling. One state-owned company stopped redirecting nonhazardous waste for reuse and recycling. One state-owned company failed to use other operations to eliminate hazardous and nonhazardous waste in 2019, ten state-owned companies continued to carry out the external disposal of that waste, and seven continued to detail the data related to that disposal.

Two state-owned companies paid a fine for noncompliance with environmental legislation, one was sanctioned, and two were involved in legal proceedings. Two stopped selecting suppliers based on environmental criteria and assessing the environmental impact of those suppliers. The average of the GRI 300 (2016) environmental guidelines complied with was 17 guidelines, with four complied with in 2017; and six in 2018 and 2019. These results demonstrated poor environmental performance among state-owned companies as a pillar of corporate sustainability.

The considerable variation between the number and types of guidelines complied with among the years shows a biased perception of governance regarding the environmental pillar, as it evidences the distance between the practices disclosed and enforced in state-owned companies. Compared with economic practices, the enforcement of environmental practices was even lower, even with a considerable increase in guidelines implemented in 2018; followed by a slight reduction in 2019.

These results corroborate the evidence of a ceremonial perception on the part of the governance, due to the disparity between the number of practices carried out and the small number of environmental guidelines complied with. The guideline most complied with by the governance of the state-owned companies was the calculation and reporting of the total energy consumption in their internal environment. The normative decisions of TCU requiring state-owned companies to carry out this type of disclosure reinforce the ceremonial perception of governance together with the regulations identified in economic practices, in which the governance sought to convince that all the guidelines required by external control were being complied with.

The influence of regulations continued to promote a turning point in state-owned companies, in which environmental guidelines enforced by normative decisions were more complied with than guidelines that could be enforced on a voluntary basis. The perception of corporate sustainability by regulations was also confirmed by environmental performance and the aspects of non-rationality identified in “starting to comply” or “failing to comply” with certain guidelines in 2018 and 2019.

In addition to the calculation of the energy consumed within the state-owned companies, the environmental guidelines most complied with were the actions of waste management and the consumption and disposal of water, with an average deviation of 14 guidelines complied with among the state-owned companies. The guidelines most complied with and with the greatest deviation can be used by the governance of the state-owned companies as a way of presenting themselves as more environmentally responsible. Despite the low level of compliance with environmental guidelines, the governances expressed a greater interest in presenting themselves as more efficient regarding energy consumption





within the state-owned companies; and more responsible in the management of waste and in the withdrawal, consumption, and disposal of water, which also reinforces the interest of the governance of these companies in reducing costs.

**Social performance practices.** In 2017, 17 state-owned companies hired new personnel, with 16 presenting their employee turnover rates. 17 had health insurance plans, 12 had disability insurance, nine had life insurance, and 20 had other insurance plans for their employees. Only four state-owned companies ensured their employees with the right to parental leave. 15 were open to negotiation via collective agreements and 13 had an occupational health and safety system implemented. The social results that stood out as the most relevant to define the perception of corporate sustainability are presented in Table 5.

**Table 5**

*Main social practices carried out by state-owned companies in the triennium (2017-2019).*

<b>2017</b>	18 state-owned companies identified hazards, assessed risks, investigated work-related incidents, wrote the hazards and risks in reports; and eliminated situations that could cause injuries and harm to their employees. 19 state-owned companies provided their employees with access to medical and health services, in opposition to 21 that used voluntary services and programs to provide those services.
<b>2018</b>	One state-owned company failed to hire new personnel, with four failing to present their employee turnover rates. Two stopped having health insurance plans and one stopped maintaining disability insurance. Two state-owned companies started having life insurance, 16 maintained retirement plans, with nine offering equity participation; and 20 continued maintaining other benefit plans for their employees.
<b>2019</b>	17 state-owned companies continued to identify hazards, assess risks, and investigate work-related incidents; and 16 continued writing them in reports and eliminating situations that could cause injuries and harm to employees. One state-owned company stopped providing access to medical and health services to its employees; and two stopped using voluntary services and programs to provide those services.

**Source:** Research data (2020).

Although Table 5 showed a high number of actions taken by the governance regarding the identification of hazards, risk assessment, and medical care for employees of the state-owned companies, the analysis of the content of other parts of the management reports shows that social actions in the state-owned companies are also carried out solely under regulations or laws. This result confirms the perception of sustainability on the part of governance by regulations, as it was also perceived in the economic and environmental pillars.

These results corroborate the study by Dixon-Fowler et al. (2017), considering that different governance units can influence the sustainable performance of companies in different ways; and, especially, when their governance holds management positions, in addition to the study by Teixeira et al. (2017), in which the unfavorable institutional context demonstrated that governance agents were implementing practices to legitimate themselves in their positions, instead of adding sustainable value to the companies' operations.

A total of 21 state-owned companies took actions to prevent and mitigate impacts on the occupational health and safety of their employees in their commercial relations. Six presented cases of accidents recorded at the workplace; and ten, health problems. Two state-owned companies reported cases of fatality resulting from work-related health problems and only nine took action to eliminate hazards and risks related to health problems at work.

Annual employee training was offered by 21 state-owned companies, and 19 of them offered such training by functional category; 25 provided programs to improve employee skills and assistance with transition. A total of 17 state-owned companies evaluated the performance



and career development projection of their employees; 14 evaluated the performance and career development of governance agents and employees according to their age groups and gender.

A total of 21 state-owned companies stated that they remunerate their staff by function and none of them had cases of discrimination registered in 2017. Only one state-owned company carried out operations with suppliers that threatened the freedom of collective association. Two state-owned companies carried out operations with suppliers that presented a significant risk of promoting child labor, forced and compulsory labor; and two took measures to eradicate and eliminate this type of work.

Seven state-owned companies provided training to security personnel on human rights policies and procedures, and none of the state-owned companies presented registered cases of violations of indigenous peoples' rights. Eight state-owned companies offered training on human rights policies and procedures to employees, in addition to security personnel; and three submitted their investment agreements and contracts to the assessment of those rights.

A total of 12 state-owned companies carried out operations and had development programs with the local community, evaluating their impacts. None of them reported having carried out operations with negative impacts on the local community in 2017. Six state-owned companies used social criteria to hire suppliers, and among them, five evaluated the social impacts of their suppliers. None of the companies contributed to political parties or representatives.

A total of 13 state-owned companies assessed the impacts of their products and services on the health of their clients, with three of them paying fines or being punished for causing negative impacts resulting from nonconformity. Three state-owned companies assessed the environmental and social impacts of the labeling of their products; and none of them reported having paid fines or being punished due to nonconformity with the labeling or communications from their marketing department.

No state-owned company filed substantial claims about privacy violations or loss of customer data, and 19 companies paid fines resulting from violations of laws and regulations in the social and economic spheres. A total of 11 state-owned companies detailed the context in which they had paid fines and ten presented mechanisms for resolving conflicts in cases of socioeconomic nonconformity. In addition to the payment of fines, nine state-owned companies were sanctioned for these nonconformities.

In 2018, two state-owned companies started ensuring their employees with the right to parental leave. One became open to negotiation through collective agreements and 13 kept their occupational health and safety systems in operation. One state-owned company failed to identify hazards, assess risks, and investigate work-related incidents; and two failed to write those hazards and risks in reports and to eliminate situations that could cause injuries and harm to their employees.

A total of 19 state-owned companies continued providing access to medical and health services to their employees; and two stopped using voluntary services and programs to provide those services. One state-owned company failed to take actions to prevent and mitigate impacts on the occupational health and safety of its employees in its commercial relations. Five presented cases of accidents recorded at the workplace; and 11, health problems.

One state-owned company started reporting cases of fatality resulting from work-related health problems, and only nine continued carrying out actions to eliminate hazards and risks related to health problems at work. Annual training for employees ceased to be offered by two state-owned companies, which began offering training by functional categories; 25 continued providing programs to improve employee skills and to assist with transition.

A total of 17 state-owned companies continued assessing the performance and career development of their employees. Five started assessing the performance and career



development of their governance agents and employees according to age groups and gender. One state-owned company began to remunerate its staff by function, and none had cases of discrimination registered in 2018. One state-owned company started carrying out operations with suppliers that threatened the freedom of collective association.

One company failed to carry out operations with suppliers that posed a significant risk of promoting child labor, forced and compulsory labor; and another state-owned company failed to take measures to eradicate and eliminate this type of work. Two state-owned companies started providing training to security personnel on human rights policies and procedures, and none of the state-owned companies presented registered cases of violations of indigenous peoples' rights in 2018.

Two companies started offering training on human rights policies and procedures to employees, in addition to security personnel; and three continued to submit their investment agreements and contracts to the assessment of those rights. One state-owned company began to carry out operations and provide development programs with the local community, evaluating their impacts; and one began to report that it had carried out operations with negative impacts on the local community in 2018.

A total of 11 state-owned companies began to use social criteria to hire suppliers, and among them, six began to assess the social impacts of their suppliers. None of the state-owned companies contributed to political parties or representatives in 2018. One state-owned company started assessing the impacts of its products and services on the health of its clients, and three companies paid fines or were punished for causing negative impacts resulting from nonconformity.

Three state-owned companies continued assessing the environmental and social impacts of the labeling of their products; and none of them reported having paid fines or being punished due to nonconformity with the labeling or communications from their marketing department. One state-owned company began to file substantial claims due to leakage or loss of its customers' data in 2018; and 19 state-owned companies continued to pay fines resulting from violations of laws and regulations in the social and economic spheres in that year.

Two state-owned companies began to detail the context in which they paid fines and began to present mechanisms to resolve conflicts of socioeconomic nonconformities. In addition to the payment of fines, two companies began to be sanctioned for these nonconformities. In 2019, five state-owned companies stopped hiring new personnel and ten continued showing their employee turnover rates. Two failed to have health insurance plans and one failed to maintain disability insurance.

Three state-owned companies failed to have life insurance; one failed to have retirement plans and to offer equity participation to its employees, in addition to having stopped maintaining other benefit plans for its employees. Five state-owned companies started ensuring their employees with the right to parental leave. One became open to negotiation through collective agreements, and two failed to keep their occupational health and safety systems in operation.

One state-owned company failed to take actions to prevent and mitigate impacts on the occupational health and safety of its employees in its commercial relations. Three presented cases of accidents recorded at the workplace; and nine, health problems. One state-owned company failed to report cases of fatality resulting from work-related health problems, and only nine continued carrying out actions to eliminate hazards and risks related to health problems at work in 2019.

Annual training for employees ceased to be offered by two state-owned companies, 21 continued offering training by functional categories, and two failed to keep programs to assist with transition and to improve employee's skills. A total of 17 state-owned companies



continued to assess the performance and career development of their employees, and three began to assess the performance and career development of their governance agents and employees according to age groups and gender.

One state-owned company failed to remunerate its staff by function, and none had cases of discrimination registered in 2019. Two state-owned companies continued to carry out operations with suppliers that threatened the freedom of collective association. One state-owned company continued to carry out operations with suppliers that posed a significant risk of promoting child labor, forced and compulsory labor; and another state-owned company continued to take measures to eradicate and eliminate this type of work.

One company failed to provide training to security personnel on human rights policies and procedures, and none of the state-owned companies presented registered cases of violations of indigenous peoples' rights in 2019. One state-owned company failed to provide training on human rights policies and procedures to employees, in addition to security personnel; and one started submitting its investment agreements and contracts to the assessment of those rights.

A total of 13 state-owned companies continued to carry out operations and provide development programs with the local community, evaluating their impacts; and one began to report that it had carried out operations with negative impacts on the local community in 2019. 17 state-owned companies continued to use social criteria to hire suppliers, and among them, two began to assess the social impacts of their suppliers. None of the state-owned companies contributed to political parties or representatives in 2019.

A total of 14 state-owned companies continued to assess the impacts of their products and services on the health of their clients, with one of them failing to pay fines or being punished for causing negative impacts resulting from nonconformities. Three state-owned companies continued assessing the environmental and social impacts of the labeling of their products; and none of them reported having paid fines or being punished due to nonconformity with the labeling or communications from their marketing department.

One state-owned company continued to submit claims resulting from the leakage or loss of its customers' data in 2019. Two state-owned companies failed to pay fines resulting from violations of laws and regulations in the social and economic spheres that year. Four state-owned companies failed to detail the context in which they had paid fines, and three began to present mechanisms to resolve conflicts of socioeconomic nonconformities. In addition to fines, six were no longer subject to sanctions for these nonconformities.

The average of the GRI 400 (2016) social guidelines complied with was 20 guidelines, with six complied with in 2017; and seven in 2018 and 2019. These results demonstrated poor social performance among the state-owned companies as a pillar of sustainable corporate performance, in spite of the average. The considerable variation between the number and types of guidelines complied with between the years shows the ceremonial performance of governance, evidencing the distance between its implemented practices and the poor social performance achieved by the state-owned companies.

Compared with economic performance, the social performance achieved by the state-owned companies was slightly better, but worse compared with the environmental performance, even with a considerable increase in social guidelines complied with in 2018; followed by a slight reduction in 2019. These results show a biased perception of governance, due to the disparity between the social practices implemented and disclosed; and the attempt to seem socially responsible.

The guideline most complied with by state-owned companies was the training provided to update employees' skills. The normative decisions of TCU that oblige state-owned companies to enforce this type of practice support the action resulting from regulations by the governance. The influence of regulations continued to promote a turning point in state-owned



companies, in which social guidelines enforced by normative decisions were more complied with than guidelines that could be enforced on a voluntary basis.

The perception of governance sustainability as regulation or “ceremonialism” for reducing costs was perceived by the governance action via the social pillar and the aspects of non-rationality identified in “starting to comply” or “failing to comply” with certain guidelines in 2018 and 2019. In addition to training to improve employee’s skills, the social guideline most complied with concerned the remuneration of governance members and employees by functional category, with an average deviation of 17 guidelines complied with among the state-owned companies.

These results confirm the action based on regulations and ceremonialism in the performance of governances via sustainable performance. The guidelines most complied with and with the greatest deviation can be used by state-owned companies as a way of presenting themselves more socially responsible, in addition to the economic and environmental pillars. Furthermore, the low level of compliance with social guidelines shows that governances are more interested in cultivating efficiency in reducing the costs of their personnel, based on training to improve their skills and remuneration commensurate with their functions.

### **Final Considerations**

Overall, corporate sustainability could be perceived as regulations and “ceremonialism” to reduce costs. By this investigation, we verified that the governance of the state-owned companies, in general, does not have a managerial perception of corporate sustainability, only when they are subject to oversight, which led them to follow the guidelines of the economic, environmental, and social pillars, via standards 200, 300 and 400, under laws or regulations that require such compliances.

This was demonstrated by the way in which the governance of the state-owned companies presented itself when analyzing their disclosures in public and mixed-capital companies. In none of them did governance show a complete perception of sustainability — such completeness being understood as that resulting from compliance with all the guidelines of the economic, environmental, and social pillars, concurrently.

The governance of the state-owned companies was more responsive for enforcing a considerable number of governance practices, but as the investigation progressed, we found a low number of economic, environmental, and social guidelines disclosed. This result disrupted the understanding that the more governance practices are enforced by organizations, the better their perception of corporate sustainability, considering that the disclosure reflects the way in which governance actions are carried out by the governance in those companies.

The study confirmed that many of the governance practices and guidelines of the GRI were complied with simply by the requirements of the regulations. To corroborate this, we mention the weak connections between internal control bodies and the guidelines of the Global Standard, as in the case of boards of directors, internal auditing department, and audit committee.

For the governance of state-owned companies, presenting that the guidelines of the economic, environmental, and social pillars were being complied with was a way of presenting themselves as more efficient. Environmental guidelines were the least complied with, despite the fact that many of the state-owned companies carried out the rational use of water, efficient energy consumption, waste management, and solidary selective waste collection. The governances of state-owned companies were not socially responsible as well, despite the fact that their social indices had better performance than their environmental ones. State-owned companies summarized the social pillar as offering training for their employees.





As study limitations, we identified the lack of standardization and compliance of the information presented in the management reports, with regard to the standardization of the structure and content disclosed by the governance units of the state-owned companies, even if required by TCU, for example; in addition to the different roles of these units among these companies, also influenced by their respective size and nature of activities. Another limitation is that few sustainability reports were available between the years, which led the study to focus only on the 2017-2019 triennium.

For further research, we recommend a comparative analysis between the management reports and the sustainability reports of the state-owned companies, seeking to verify possible changes in the perception of corporate sustainability by agents based on the content disclosed in the very corporate sustainability reports; and, evidently, in a broader scope. Consequently, we also suggest an increase in the participation of companies in the study.

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