

CORPORATE SOCIAL AND SUSTAINABILITY PERFORMANCE AND OWNERSHIP CONCENTRATION - AN ANALYSIS OF BRAZILIAN FIRMS

ABSTRACT

This paper examines whether ownership concentration drives the level of Corporate Social and Sustainability Performance (CSSP) in Brazil, as proxied by firm membership to the ISE index. Using a stakeholder framework, we find that CSSP of Brazilian firm is inversely correlated to ownership concentration indicating that controlling voting shareholders may not see CSSP as a priority. Since the ISE index has a high proportion of corporate governance aspects, this result may be a signal that dominant shareholders avoid the advance in the adoption of good corporate governance practices which is closely linked to firm sustainability. Besides, the results indicate that leading CSSP firms are significantly larger, and face more growth opportunities.

Keywords: Corporate social responsibility; sustainability; ownership concentration; determinants; ISE.

1 INTRODUCTION

Corporate social responsibility actions, together with sustainability issues, have been seen as able to improve firm reputation, visibility, image, and firm identity, all considered as value creating although the inconclusive results (Freeman, Wicks, & Parmar, 2004; Lourenço & Schroder, 2003).

Assessing the degree of attention a company directs to Corporate Social and Sustainability concerns is a complex task on which there is still no agreement on the market or academic fields. The diversity of measures used in this context shows how the topic is still controversial (Margolis & Walsh, 2003). In fact, despite being related, Corporate Sustainability concerns and Corporate Social Responsibility (CSR) are distinct. While actions related to sustainability are associated with ethical, environmental and economic criteria in the company's decision making process, in order to ensure business continuity, CSR is related to the willingness of the company to undertake actions that benefit stakeholders not directly associated to firm management or ownership (Caldelli & Parmigiani, 2004; Van Marrewijk & Werre, 2003).

Nowadays it has been common the assessment of Corporate Social and Sustainability Performance (CSSP) by specialized institutions that have created indexes of CSSP that intend to be able to convey information about the level of firms' CSSP (Statman, 2006). Indexes are created to meet the investors' demands. Examples of such market indexes are the Dow Jones Sustainability Index (DJSI) of the New York Stock Exchange, the FTSE-4Good, in the London Stock Exchange, the Johannesburg index in South Africa. In this context, and the Corporate Sustainability Index (ISE) in Brazil (Bm&FBovespa, 2012; Marcondes & Bacarji, 2010). An important stream of research has sought to find the factors that determines the development of Corporate social and sustainability actions, like financial performance, firm size, and leverage (Chih, Chih, & Chen, 2010; Lerner & Fryxell, 1988).

This work aims to study the effect of ownership concentration on CSSP of Brazilian firm. To this end, we used a sample of listed Brazilian firms in the period 2006-2011, using as proxy for the higher CSSP the annual pertinence to the ISE index.

Our results indicate that CSSP of Brazilian firm is adversely affected by ownership concentration signaling that controller shareholders do not seem to have CSSP as a priority.

2 CORPORATE SOCIAL RESPONSIBILITY, SUSTAINABILITY, AND HYPOTHESES

2.1 Corporate Social Responsibility and Sustainability

Although related, Corporate Social Responsibility (CSR) and Firm Sustainability are distinct concepts. Firm Sustainability is associated with the adoption of ethical criteria in the decision making process of the company, so that the process incorporates social, environmental and economic concerns based on ethical standards. In turn, CSR is the willingness of the company to take responsibility with a range of stakeholders who can benefit by social actions promoted by the company (Caldelli & Parmigiani, 2004; Van Marrewijk & Werre, 2003). Going far we could also consider that firm responsibility to its stockholders is very close to firm continuity and sustainability.

CSR concepts proposed in the literature refer to the company's relationship with various stakeholders. Moreover, they also allude to ethical business conduct and the company's commitment to sustainable development, which is linked to concerns about corporate sustainability, which leads to an

intersection of CSR and sustainability concepts. Indeed, the development of CSR is linked to the attempt to meet the expectations of different stakeholders, which is quite complex, since many of these beneficiaries may not have any relationship with the company (Dahlsrud, 2008; Shrivastava, 1995). In turn, Corporate Sustainability concerns seem to be directly associated with the interests of shareholders, management, and creditors, since it is closely associated to firm continuity. The concept of sustainability even transcends the aspect of business continuity and takes connotations of higher magnitude when considering the planet's sustainability and corporate responsibility in this context (Lamarche & Rubinstein, 2012).

Along with the evolution of sustainable development concerns since the 1980s, three main concepts have been pointed out as the pillars of sustainability (social, economic and environmental) as can be depicted from theoretical literature (Dahlsrud, 2008; Garriga & Melé, 2004).

2.2 The ISE index (Firm Sustainability Index)

Corporate Social Responsibility and Corporate Sustainability have both been the object of research with specific concepts and measurement indexes proposed (Statman, 2006). Following an international trend, in 2005, the Brazilian market has created an indicator for the purpose of conveying information about the degree of importance the company gives to Corporate Social Responsibility and Corporate Sustainability, the Corporate Sustainability Index (ISE). The ISE evaluates firm actions related to both Corporate Social Responsibility (CSR) and Corporate Sustainability (CS). The ISE was established by BM&FBOVESPA, being the first in Latin America (Marcondes & Bacarji, 2010). The ISE is proposed to be an index that assess firm's concerns about the three pillars of sustainability (social, economic and environmental). Looking carefully the ISE methodology one can see that it heavily incorporates issues related to the management quality and concerns related to ethical business conduct, more than social action itself.

2.3 Hypotheses rationale

A set of factors have been examined as able to affect the propensity of the firm to improve Corporate Social and Sustainability Performance (CSSP). Research focusing Corporate Social

Responsibility presents arguments that, ultimately, should not be in disagreement with that related to sustainability concerns. However, an index that comprises both corporate social actions and sustainability concerns may have some specificities due the weight given to each aspect that can make the index more inclined to a particular aspect.

The literature has considered, under distinct theoretical frameworks, among such factors, for example, profitability, size and leverage. More recently, aspects of ownership structure and growth opportunities have also been considered as capable of interfering in CSR and sustainability policies. The annual firm pertinence to the ISE index is influenced both by CSR policy and sustainability concerns, which requires reflection with respect to these two aspects.

Ownership concentration and CSSP

Agency conflicts among key stakeholders, such as shareholders, managers and creditors, treated by the Theory of the Firm (Jensen & Meckling, 1976), are moderated by ownership structure as the evidence has shown. As an example, conflicts between owners and executive management are stronger in markets with low ownership concentration, in contrast to others with dispersed ownership, in which conflicts of interest between majority and minority shareholders seem to be more relevant (Claessens & Yurtoglu, 2013; Cuervo, 2002, 2004; Shleifer & Vishny, 1997). Besides, evidence has also been found that different aspects of ownership structure affect firm value and performance (Villalonga & Amit, 2006), as well as investment and financing policies (Chirinko & Schaller, 1995; Crisóstomo, 2011; Goergen & Renneboog, 2001; Schiantarelli & Sembenelli, 2000). Facing such evidence, it is feasible to propose that ownership structure may also moderate firm CSR and sustainability concerns, since certain shareholders may be more interested in improving CSR or sustainability policy.

Initial research has documented the effect of ownership structure on CSR policy with inconclusive results (Barnea & Rubin, 2010; Godos Díez, Fernández Gago, & Cabeza García, 2012; Li & Zhang, 2010; Robertson, 2009). Some studies have found a positive effect of ownership concentration on the CSR policy with some nuances. In Spain a positive effect of ownership concentration in the hands of the main shareholder was detected (Godos Díez, Fernández Gago, & Cabeza García, 2012). In

Singapore and Malaysia a positive effect of ownership concentration in hands of the government was documented (Eng & Mak, 2003; Said, Zainuddin, & Haron, 2009). Ownership of institutional investors has been found to be positively related to CSR in USA (Harjoto & Jo, 2008; Johnson & Greening, 1999). On the other hand, CSR policy is negatively affected by internal ownership in the USA (Barnea & Rubin, 2010), or by ownership concentration in hands of the main shareholder in the European scenario (López-Iturriaga & López-de-Foronda, 2011), and also in non state Chinese companies (Li & Zhang, 2010).

With regard to concerns about firm sustainability, firm continuity and management arise as relevant. These concerns are related to the importance given to the corporate governance system. Indeed, the literature has detected that large shareholders play an important role in shaping the corporate governance system (Claessens, Djankov, Fan, & Lang, 2002; Shleifer & Vishny, 1997). Adopting good corporate governance practices signals firm concern with good management and firm sustainability. Improvement of the corporate governance system minimizes agency conflicts in ownership concentrated or non concentrated markets (Cuervo, 2002; Dyck & Zingales, 2004; La Porta, López-de-Silanes, Shleifer, & Vishny, 1998).

High ownership concentration, usually associated to a reduced number of controlling shareholders, favors the reduction of agency conflicts between managers and owners by facilitating management monitoring and alleviating the free-rider problem. On the other hand, it may also allow the exacerbation of private benefits of control in different ways (Dyck & Zingales, 2004; Riyanto & Toolsema, 2008), leading ownership concentration to be considered as detrimental to the improvement of corporate governance under the argument that controlling shareholders benefit from a weaker corporate governance system, especially in markets with less legal protection to minority shareholders (La Porta, López-de-Silanes, Shleifer, & Vishny, 1998; Silveira & Barros, 2008). Considering the relevance of the Corporate Governance Dimension in the ISE index, and the high private benefits of control existing in the Brazilian market (Dyck & Zingales, 2004), we propose the hypothesis that controlling shareholders

in Brazil are not prioritizing the improvement of the corporate governance system, or even environmental or social concerns, which are close to firm sustainability, making high ownership concentrated detrimental to CSSP, as proxied by the pertinence to the ISE index, in line with previous results in Brazil (Lourenço & Branco, 2013; Nunes, Teixeira, Nossa, & Galdi, 2010).

Hypothesis 1: Ownership concentration is adversely related to firm CSR and sustainability concerns in the Brazilian market. This leads to the expectation that higher ownership concentrated firms are less likely to compose the ISE portfolio.

Growth Opportunities and CSSP

Firm's Growth opportunities have been seen as capable to moderate the intensity of CSR actions and sustainability concerns. On the one hand, the need for growth pushes the firm to maximize its investment opportunities which may lead to restrictions in social activities since available resources will be directed primarily to investment projects (Li & Zhang, 2010). On the other hand, the need to seize growth opportunities requires funding capacity, which requires the company to be committed with sustainability standards, which is important in the funding market. This expectation for sustainability is associated with high standard of the corporate governance system, which may lead companies with growth opportunities to increase their concerns on corporate sustainability (Artiach, Lee, Nelson, & Walker, 2010; Lourenço & Branco, 2013; Ziegler & Schröder, 2010). This line of reasoning motivates the following hypothesis:

Hypothesis 2: Growth opportunities contribute positively to the sustainability practices of the company. This leads one to expect that firms with more growth opportunities are more likely to compose the ISE portfolio.

Profitability and CSSP

The Stakeholder Theory (Freeman, Wicks, & Parmar, 2004) and the Resource Based View (Barney, 1991; Barney, Wright, & Ketchen, 2001) proposed the virtuous cycle between CSR and firm performance, so that CSR actions are able to create value for the company since society has a positive sensitivity to this type of corporate action. Somehow, in contrast to this argument, the Stockholder approach argues that the company should be focused on good management and quality of service

provided to customers, and thus in the ability to create value for shareholder and be committed to outside investors (Friedman, 1962, 1970). This Stockholder approach is then strongly linked to the sustainability concerns, in line with quality management, which is associated with high standards of corporate governance.

The Stakeholder theorists argue that concern with a broad spectrum of stakeholders does not exclude the trio shareholder-manager-creditor (Freeman & Phillips, 2002; Freeman, Wicks, & Parmar, 2004). However, under this broad perspective, business activity must take into account maximizing not only shareholders interests but also other stakeholders interests, undertaking actions CSR and being committed to sustainability concerns. Thus, the company's vision is expanded by integrating an ethical and responsible conduct in its dealings with various stakeholders.

The argument about the effect of profitability on CSR and Sustainability is associated with the fact that firms with higher profitability tend to have more funds available to undertake CSR actions, under the slack resource theory framework (Husted & Salazar, 2006; Waddock & Graves, 1997). This argument is more focused on CSR issues. Corporate sustainability has also been seen as motivated by profitability in recent researches, since this improves firm communication and the funding market (Artiach, Lee, Nelson, & Walker, 2010; Lourenço & Branco, 2013). Sustainability issues required by ISE are more strongly motivated by profitability and seen as capable of improving the performance and firm image. Following this argument, the following hypothesis is pertinent.

Hypothesis 3: Profitability contributes positively to CSR practices and sustainability of the Brazilian firm. This leads one to expect that firms with higher profitability are more likely to compose the ISE portfolio.

Leverage and CSSP

Creditors are usually more effective in pressing for meeting their demands, since they finance the firm and need guarantees for return (Artiach, Lee, Nelson, & Walker, 2010; Crisóstomo, Freire, & Vasconcellos, 2011). More indebted companies have more commitment to creditors, which may lead to a reduced capacity to undertake CSR actions. Moreover, concern about corporate sustainability, good

management and transparency are fundamental to improving communication with the market and facilitate access to external financing. While the debt may restrict CSR, otherwise, more concern for sustainability is positive to external financing. Thus, one can assume that Brazilian companies are seeking to improve their sustainability practices in order to improve external funding capacity. On the other hand, debt may also limit firm ability to undertake CSR due to the priority of commitment to creditors which may reduce financial slack. This leads to the following hypothesis:

Hypothesis 4: Debt has no effect on firm propensity to compose the ISE portfolio.

Firm Size and CSSP

Despite arguments about the possible effect of firm size on CSR are still controversial (Baumann-Pauly, Wickert, Spence, & Scherer, 2013; Orlitzky, 2001; Udayasankar, 2008), firm size has been an important variable control in research on determinants of CSR. The argument about the positive effect of firm size on CSR posits that larger firms have more capacity to provide infrastructure and financial resources to undertake CSR actions (Crisóstomo, Freire, & Vasconcellos, 2011; Waddock & Graves, 1997). As the company grows it becomes more visible and interacts with a broader spectrum of stakeholders experiencing greater demand for CSR, so there is a higher level of mutual interference between business and society (Serafeim, 2013). This increased visibility has effect on the level of concern about corporate sustainability that may be more relevant to larger companies. In this sense, firm size seems to become more relevant for both CSR and sustainability concerns. In this regard we propose the hypothesis that larger firms will be more prone to undertake CSR actions and be more committed with sustainability as summarized in the following hypothesis:

Hypothesis 5: Firm size affects positively firm CSR policy and sustainability concerns. This way, it is expected that larger firms are more likely to compose the ISE portfolio.

3 METHOD AND SAMPLE

3.1 Method

Literature has commented the difficulties in measuring CSR that may arise due the diversity of CSR actions a company may undertake as well as the voluntary aspect of its disclosure, and even the still uncertain CSR definition. The aspect of firm sustainability is also subject to this problem.

Sustainability is associated with firm's environmental concerns and also firm capacity to maintain performance and competitive advantage which may be dependent on good management and corporate governance practices, which means a priority for the economic pillar of sustainability, as highlighted by (Moldan, Janoušková, & Hák, 2012). All that means that Corporate Social and Sustainability Performance (CSSP) indexes are subject to complex measuring strategies as can be seen in the variety of indexes used (Hodgson, Lhaopadchan, & Buakes, 2011; Li & Tang, 2007). Since the ISE index comprises both CSR and sustainability aspects, it becomes an index requiring careful attention in its treatment.

Using the membership to the ISE index as proxy for the level of firm CSSP we estimate *logit* models in what the dummy variable ISE is the dependent variable (equation 1):

$$ISE_{i,t} = \beta_0 + \beta_1.OWNC + \beta_2.ROA_{i,t} + \beta_3.GROP_{i,t} + \beta_4.SIZE_{i,t} + \varepsilon_{i,t} (1).$$

In this model, the dummy variable ISE is set to 1 if the firm-year observation is included in the ISE index, and 0 otherwise.

OWNC stands for ownership concentration. This variable has been measured as voting ownership concentration in hands of the main owner, the sum in hands of the two main owners, and so forth until the sum of voting shares owned by the five main stockholders. Ownership concentration is also measured by the annual Herfindahl index, corresponding to the sum of squares of stocks in hands of each of the five main shareholders as done in previous works (Maury & Pajuste, 2005). Profitability has been proxied by ROA (Return on Assets). Growth Opportunities (GROP) have been proxied by Tobin's *q* and calculated as the ratio between firm value (shares market value plus debt) and firm accounting value as usual in the literature (Villalonga & Amit, 2006). Finally, firm size (SIZE) has been proxied by *Ln* of firm total assets.

$$ISE_{i,t} = \beta_0 + \beta_1.OWNC + \beta_2.ROA_{i,t} + \beta_3.GROP_{i,t} + \beta_4.LEV_{i,t} + \beta_5.SIZE_{i,t} + \varepsilon_{i,t} (2).$$

Alternate models have incorporated the variable LEV, that stands for firm leverage, being measured by the ratio total debt over total assets. This model has been estimated for the sub sample of

nonfinancial firms, for which leverage emerges as an important control variable as highlighted by the literature.

3.2 Sample

Financial and ownership data have been collected from Economatica database while the fact of composing the annual ISE has been verified at BM&FBOVESPA records. The database has a total of 1,649 firm-year observations in the period 2006-2011. Among these, 179 are ISE firm-year observations, and 1,470 are non ISE firm-year observations. The sample is well distributed among several important sectors of the economy as can be seen in Table 1.

Table 1- Sample distribution by Industry

Industry	Full sample		ISE firms		non ISE firms	
	n	%	n	%	n	%
Petroleum and fuel products	29	1.76	2	1.12	27	1.84
Chemicals, Paper products, Metal-mechanical	252	15.28	32	17.88	220	14.97
Equipment, Electrical machinery, and transport equipment	130	7.88	13	7.26	117	7.96
Building and transportation	186	11.28	10	5.59	176	11.97
Food products and beverages and tobacco	156	9.46	10	5.59	146	9.93
Textile, clothing, leather and footwear	197	11.95	6	3.35	191	12.99
Communication	65	3.94	7	3.91	58	3.95
Electrical, Water supply and sanitary services	232	14.07	65	36.31	167	11.36
Financial	171	10.37	24	13.41	147	10.00
Others	231	14.01	10	5.59	221	15.03
Total	1649	100	179	100	1470	100

4 RESULTS

Table 2 shows descriptive statistics of model variables. Our findings on ownership concentration agrees with previous works in Brazil showing that, in fact, Brazilian firms still face high ownership concentration (López-Iturriaga & Crisóstomo, 2010). The average ownership concentration of voting shares is around 55% in hands of the main shareholder (OWNC1) and reaches 77.57% in hands of the five main voting shareholders (OWNC5). Such characteristic of high ownership concentration may lead to specific effects on certain firm strategic policies as previously found, and possibly also on CSR policy and sustainability concerns as hypothesized in this work. Brazilian firm has an average ROA of 8.1%.

Advancing in the descriptive analysis it is worth mentioning that ISE and Non ISE firm-year observations are, indeed, different as can be seen in Table 3. As can be observed, ISE firms present inferior ownership concentration, more growth opportunities, and profitability. Mean test have been computed by parametric and non parametric tests for robustness of results.

Table 2- Descriptive statistics for sample variables

var	N	mean	sd	cv	median	min	max
OWNC1	1649	0.5509	0.2713	0.4925	0.5388	0.0014	1.0000
OWNC2	1649	0.6799	0.2492	0.3665	0.6996	0.0014	1.0000
OWNC3	1649	0.7334	0.2287	0.3119	0.7673	0.0014	1.0000
OWNC4	1649	0.7611	0.2147	0.2822	0.8089	0.0014	1.0000
OWNC5	1649	0.7757	0.2069	0.2667	0.8272	0.0014	1.0000
HI5	1649	0.4161	0.2980	0.7161	0.3531	1.96e-06	1.0000
ROA	1649	0.0811	0.1093	1.3482	0.0661	-0.1478	0.3291
GROP	1649	1.2830	1.1359	0.8853	0.9612	0.0087	6.2200
LEV	1478	0.1786	0.1679	0.9402	0.1522	0.0000	0.9569
SIZE	1649	13.6153	1.7408	0.1279	13.5492	8.9965	19.9781

Our main results can be depicted from *logit* model estimates that has the pertinence to the ISE index as the dependent variable. Model of equation (1) has been estimated to the whole sample (Table 4), and, an alternate model (equation 2) (Table 5).

Table 3 - Comparing ISE versus non ISE firm

Variable	ISE firms	non ISE firms	t test	non parametric test
	Mean	mean	p-value	p-value
OWNC1	0.5102	0.5559	0.0167	0.0224
OWNC2	0.6596	0.6824	0.1246	0.0798
OWNC3	0.7096	0.7363	0.0701	0.0185
OWNC4	0.7366	0.7640	0.0535	0.0060
OWNC5	0.7494	0.7789	0.0355	0.0021
HI5	0.3656	0.4223	0.0081	0.0378
ROA	0.1214	0.0761	0.0000	0.0001
GROP	1.5714	1.2479	0.0002	0.0027
LEV	0.1786	0.1779	0.6703	0.3495
SIZE	15.6513	13.3673	0.0000	0.0001

As hypothesized, voting ownership concentration has shown to affect negatively firm Corporate Social and Sustainability Performance (CSSP), proxied by the probability of a firm being in the ISE index (Table 4). This result is consistent to models estimated with different measures of ownership concentration, the sum of voting stocks in hands of the five main shareholders, and also by the Herfindahl index among the five main stockholders. Such result is consistent with the argument that

large controlling shareholders may not see CSSP as most relevant. CSSP includes both CSR and sustainability concerns. Corporate governance is closely related to the economic pillar of sustainability, which is very important in the ISE index. The high importance of corporate governance concerns embedded in the ISE index may be driving this inverse relation. The literature has proposed and provided evidence that high ownership concentration is associated to weaker corporate governance (Bozec & Bozec, 2007; Hu & Izumida, 2008; Shleifer & Vishny, 1997).

Our findings of a inverse relation between ownership concentration and the propensity to compose the ISE index is in accordance with previous works in Brazil (Lourenço & Branco, 2013; Nunes, Teixeira, Nossa, & Galdi, 2010).

As theoretically expected, growth opportunities contribute positively for the pertinence to the ISE index. This finding of the positive influence of growth opportunities on CSSP is in accordance with hypothesis 2 and previous results in the international arena and also in Brazil (Artiach, Lee, Nelson, & Walker, 2010).

It is also worth mentioning the positive effect of firm size on the probability of the firm being component of the index ISE, as theoretically proposed in hypothesis 5, consistent with previous studies (Artiach, Lee, Nelson, & Walker, 2010; Lourenço & Branco, 2013).

Table 4 - Logit Regression for the whole sample

Var	(i)	(ii)	(iii)	(iv)	(v)	(vi)
HI5	-1.5612 *** (0.4266)					
OC1		-1.9465 *** (0.4575)				
OC2			-2.0006 *** (0.4781)			
OC3				-1.9508 *** (0.5034)		
OC4					-1.8085 *** (0.5228)	
OC5						-1.7601 *** (0.5316)
ROA	2.2299 * (1.1946)	2.2464 * (1.2005)	2.4093 ** (1.2030)	2.3385 * (1.1971)	2.3054 * (1.1924)	2.2633 * (1.1904)
TQ	0.5666 *** (0.1036)	0.5730 *** (0.1040)	0.5582 *** (0.1041)	0.5613 *** (0.1039)	0.5657 *** (0.1037)	0.5667 *** (0.1037)
SIZE	1.1897 *** (0.0943)	1.2016 *** (0.0943)	1.2038 *** (0.0938)	1.1960 *** (0.0936)	1.1937 *** (0.0936)	1.1945 *** (0.0937)
Constant	-20.9245 ***	-20.8175 ***	-20.5610 ***	-20.3113 ***	-20.2689 ***	-20.2515 ***

	(1.5531)	(1.5528)	(1.5475)	(1.5544)	(1.5656)	(1.5727)
N	1649	1649	1649	1649	1649	1649
R ²	0.4010	0.4052	0.4040	0.4015	0.3987	0.3977
LR chi ² (18)	454.28	459.01	457.68	454.84	451.62	450.56
valor-p	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Table 5 reports model estimation of equation (1) for the sub sample of non financial firms, including the leverage variable (LEV) and confirm the findings for the whole sample (Table 4).

With regard to profitability and leverage, results are not conclusive. The predicted positive effect of profitability on CSSP has not been found for the non financial firms sub sample.

Table 5 - Logit Regression for the sub sample of non financial firms

Var	(i)	(ii)	(iii)	(iv)	(v)	(vi)
HI5	-1.5825*** (0.4671)					
OC1		-2.1531*** (0.5063)				
OC2			-2.2005*** (0.5191)			
OC3				-2.1654*** (0.5440)		
OC4					-1.9966*** (0.5627)	
OC5						-1.9462*** (0.5713)
ROA	1.5333 (1.2451)	1.6125 (1.2545)	1.6570 (1.2551)	1.5684 (1.2488)	1.5285 (1.2429)	1.4832 (1.2404)
TQ	0.5478*** (0.1042)	0.5578 (0.1050)***	0.5358*** (0.1045)	0.5394*** (0.1044)	0.5437*** (0.1042)	0.5447*** (0.1042)
LEV	-0.2188 (0.7284)	-0.0381 (0.7342)	-0.2519 (0.7303)	-0.2864 (0.7292)	-0.3255 (0.7280)	-0.3329 (0.7273)
SIZE	1.1548*** (0.1054)	1.1611*** (0.1052)	1.1579*** (0.1044)	1.1541*** (0.1042)	1.1550*** (0.1042)	1.1588 (0.1043)
Constant	-20.2883 (1.7117)***	-20.0763*** (1.7111)	-19.6603*** (1.7009)	-19.4448*** (1.7076)	-19.4507*** (1.7197)	-19.4747*** (1.7259)
N	1478	1478	1478	1478	1478	1478
R ²	0.3708	0.3779	0.3770	0.3744	0.3708	0.3697
LR chi ² (18)	367.91	374.98	374.07	371.48	367.92	366.83
valor-p	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

5 CONCLUSIONS

Research has looked for determinants of Corporate Social Responsibility (CSR) and Sustainability. Recently, research has given attention to the possible role played by ownership structure on CSR and sustainability, due to reputational concerns, visibility, and the search for legitimizing firm actions.

This paper examines whether ownership concentration moderates the level of corporate social and sustainability performance (CSSP) in Brazil, as proxied by firm membership to the ISE index. We find

that CSSP of Brazilian firm is adversely affected by ownership concentration. This result may be an indication that controlling voting shareholders may not see CSSP as a priority. Corporate governance is very important in the ISE index. The adverse effect found may be a signal that dominant shareholders do not contribute to the advance of corporate governance. The high private benefits of control documented in Brazilian market may be related to our findings. Large controlling shareholders may not see CSSP as a relevant concern.

Although the adverse effect of ownership concentration on CSSP, additional results are important to highlight. Leading CSSP Brazilian firms are significantly larger, and face more growth opportunities. These two firm characteristics have shown to be able increase CSSP. Larger Brazilian firms actually worry more about CSR and sustainability. Firms with investment opportunities are more prone to look for CSSP improvement. This may be, in fact, related to firm relation with funding market that appreciates good sustainability.

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