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Disclosure and representation of transactions with related parties of companies listed on B3: a look at corporate governance

Divulgacíon y representación de transacciones con partes relacionadas de empresas listadas en B3: una mirada al gobierno corporativo

Evidenciação e representatividade das transações com partes relacionadas das companhias listadas na B3: um olhar na governança corporativa

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Abstract

Purpose: Analyze the level of disclosure and representativeness, understood as the degree to which transactions with related parties are treated, monitored and disclosed in corporate governance practices, considering aspects such as the detail required by CPC 05 (R1) and IAS 24, of the companies involved in B3.

Methodology: Two checklists were developed to analyze related-party transactions (RPTs) and corporate governance. The sample analyzed consisted of 315 companies that had RTPs in 2022.

Results: The results demonstrated that companies with better corporate governance practices presented greater detail and representativeness in the disclosure of TPR, with greater adherence to the requirements of CPC 05 (R1) and IAS 24, evidencing compliance with additional requirements related to transparency and comparability of information.

Contributions of the Study: The analysis revealed a positive and statistically significant correlation between the level of corporate governance and the level of disclosure and representativeness of TPR, indicating that companies with more robust governance structures tend to present more complete and detailed disclosures, in compliance with applicable standards.

Keywords: Related parties. CPC 05 (R1). IAS 24. Accounting Disclosure. Corporate Governance.

Resumen

Objetivo: Analizar el nivel de revelación y representatividad, entendido como el grado en que las transacciones con partes relacionadas son tratadas, monitoreadas y reveladas en las prácticas de gobierno corporativo, considerando aspectos como el detalle requerido por el CPC 05 (R1) y la NIC 24, de las empresas listadas en B3.

Metodología: Se desarrollaron dos listas de verificación para analizar las operaciones con partes vinculadas (OPR) y el gobierno corporativo. La muestra analizada consistió en 315 empresas que contaban con OPR en 2022.

Resultados: Los resultados demostraron que las empresas con mejores prácticas de gobierno corporativo presentaron mayor detalle y representatividad en la revelación de TPR, con mayor adherencia a los requerimientos del CPC 05 (R1) y IAS 24, evidenciando el cumplimiento de requerimientos adicionales relacionados a la transparencia y comparabilidad de la información.

Contribuciones del Estudio: El análisis reveló una correlación positiva y estadísticamente significativa entre el nivel de gobierno corporativo y el nivel de divulgación y representatividad del TPR, indicando que las empresas con estructuras de gobierno más robustas tienden a presentar divulgaciones más completas y detalladas, en cumplimiento con los estándares aplicables.

Palabras clave: Partes relacionadas. CPC 05 (R1). NIC 24. Información a revelar contable. Gobierno Corporativo.

Resumo

Objetivo: Analisar o nível de evidenciação e a representatividade, entendida como o grau em que as transações com partes relacionadas são tratadas, monitoradas e divulgadas nas práticas de governança corporativa, considerando aspectos como detalhamento exigido pelo CPC 05 (R1) e IAS 24, das companhias listadas na B3.

Metodologia: Foram elaboradas duas listas de verificação, para análise das transações com partes relacionadas (TPR) e da governança corporativa. A amostra analisada foi composta por 315 companhias que possuíam TPR no ano de 2022.

Resultados: Os resultados demonstraram que empresas com melhores práticas de governança corporativa apresentaram maior detalhamento e representatividade na divulgação das TPR, com maior aderência às exigências do CPC 05 (R1) e IAS 24, evidenciando o cumprimento de requisitos adicionais relacionados à transparência e à comparabilidade das informações.

Contribuições do Estudo: A análise revelou correlação positiva e estatisticamente significativa entre o nível de governança corporativa e o nível de evidenciação e representatividade das TPR, indicando que empresas com estruturas de governança mais robustas tendem a apresentar divulgações mais completas e detalhadas, em conformidade com as normas aplicáveis.

Palavras-chave: Partes relacionadas. CPC 05 (R1). IAS 24. Evidenciação Contábil. Governança Corporativa.

1 Introduction

According to the Technical Pronouncement CPC 00 (R2), the accounting objective is to provide useful financial information to investors, creditors, and other users in their decision-making, and this information must be relevant, reliable, comparable, and understandable. In order to do such, the financial statements must clearly and promptly disclose the events and transactions that may impact the assessment of the economic and financial situation of the entity.

Among the elements that require special attention in the disclosure are transactions with related parties (TRP). According to the technical pronouncement CPC 05 (R1), which addresses this issue in Brazil, in line with the international standard IAS 24 (Related Party Disclosures) from the International Accounting Standards Board (IASB), "Related parties" can be understood as a natural or legal person who is related to the entity that is preparing its accounting statements, and they can be: a close family member who is related to the company, an affiliate, a joint venture, a subsidiary, or a key member of the management of the entity or the controlling company (CPC 05 R1, 2010).

Manaligod (2012) explains that the relationship between the entity and its related parties allows transactions to occur that other unrelated parties would not be able to offer. This means that the entity's results, performance, and financial position may be affected due to its relationship with the related parties.

In this regard, Dantas et al. (2022) warn that there is a potential risk of transactions with related parties being used in environments of conflicts of interest, which may result in the expropriation of wealth from minority shareholders, among other losses to other external users of accounting.

The transactions that occur between the entity that provides information and its related parties can be described as the movement of resources, services, and obligations, even if no financial consideration is charged. The disclosure of these transactions in the notes to the financial statements is essential in assessing the risks and opportunities related to the entity (CPC 05 R1, 2010).

Magalhães et al. (2011) warn that the investors and other external users need to be aware of the transactions between the related parties because they can be used as a way to get private benefits of control. Several corporate frauds have used transactions with the related parties to obtain benefits for themselves to the detriment of the investors and other stakeholders. As examples, the authors quoted above cited some cases such as the Enron, which used transactions with special purpose entities, the Worldcom, which made loans to executives, and the Parmalat, which made loans to the companies owned by the controlling shareholder.

In view of the above, in the context of the existence of related party transactions, the disclosure in the notes to the financial statements of the degree of relationship, as well as the types of operations and existing balances, is essential for the external users to be able to adequately assess the company's performance. It should be noted that the mere involvement with the related parties can already generate relevant impacts (Santos et al., 2022).

In an effort to guide users on the existence and risks related to the transactions with the related parties, the CPC 05 (R1, 2010) determines that the entities have to disclose in the notes the potential that their financial statements have to be affected by the related parties. The text of the standard emphasizes the importance of accounting in adequately disclosing such transactions (Manaligod, 2012).

Silveira et al. (2008) highlight that in the business environment, the related-party transactions are frequent operations and that caution is required on the part of the users involved in corporate governance, due to the potential risk of conflicts of interest. They also emphasize the importance of rules related to the related-party transactions, considering the destructive potential of the corporate value of the organization.

In the corporate environment, due to the existence of conflicts of interest, the corporate governance is a system that directs and monitors the organizations through principles, rules, structures, and processes. As such, it is a system that contributes to the society and the environment, seeking to balance the interests of governance agents and other individuals within an organization (Brazilian Institute of Corporate Governance [IBGC], 2023).

Ribeiro and Souza (2022) argue that in order to reduce the conflicts of interest, it is necessary to adopt good corporate governance practices, so that the company can increase its ability to align the expectations of the external users with good performance for the benefit of the organization. The supervision and control structures are part of the quality of the corporate governance.

In this perspective, in a business context where transactions with the related parties can be used in environments of conflict of interest, the adoption of good corporate governance practices is essential to strengthen internal controls, throughout the stages of a company, contributing to its continuity (Przendsiuk, 2015).

Considering the aforementioned, and in view of the importance of the adequate disclosure of the related-party transactions, the understanding and magnitude of these operations, and the relevance of good corporate governance practices in the capital market, the following research question was formulated: How does the level of the disclosure and representativeness of the related-party transactions relate to the corporate governance of companies listed on B3? Based on the presented problem, the objective of this study is to analyze the level of the disclosure and representativeness, understood as the degree to which related party transactions are treated, monitored, and disclosed in the corporate governance practices, considering the aspects such as the required disclosure by CPC 05 (R1) and IAS 24, of the companies listed on B3. .

A recent case, widely reported in the media, concerns the company Americanas, according to a news article published by Estadão Economia (2023), the company reported in a material fact to the Securities and Exchange Commission that the previous directors had been presenting false information in their financial statements, hiding the real situation of the company.

This news suggests the existence of conflicts of interest within the organization, which contributed to its decline, as the market was unaware of the real situation of the company. In this context, studies and analyses on corporate governance gain relevance (Estadão Economia, 2023).

In view of the above, the research is justified considering that the issues related to corporate governance are socially and economically relevant, given a context in which conflicts of interest involving the related party transactions can strongly affect the external users and the continuity of an organization.

Furthermore, the aim is to produce and achieve results that will provide theoretical and practical contributions, as it includes the mapping of the nature, disclosure, and representativeness of the related-party transactions in Brazilian publicly traded companies.

The research also offers practical contributions to the investors, in the sense that it provides a parameter of what the companies are disclosing regarding the related party transactions, allowing for a more careful analysis of the reliability of the information disclosed. In addition, the results obtained can help clarify doubts that arise when working with the related-party transactions and also highlight the risks that may be faced when preparing a report that presents questionable information about the financial and economic situation of the organization.

2 Theoretical Basis

2.1 The disclosure of the Related Parties

A related party is a natural or legal entity that has a relationship with the entity reporting the information, in other words, the entity responsible for preparing the financial statements (CPC 05 R1, 2010). The pronouncement establishes that the companies must disclose, in the notes to the financial statements, enough information for the users to understand the nature of the relationship, the type of transactions performed, and their effects on the financial statements.

The item 21 of the CPC 05 (R1) exemplifies transactions that must be disclosed when carried out with the related parties, including: purchase or sale of assets and services; provision or receipt of services; leases; transfers of research and development; loan agreements; guarantees provided or received; management agreements; and remuneration of administrators and key executives.

The transactions with the related parties are common events that occur between the entities that are associated with the same economic group, or an individual linked to the entity or to the management personnel of the organization. As such, it is the relationship developed by the entity with the legal entity or natural person, who has the power to interfere or influence the practice of significant actions in the accounting and financial statements of the company (Castro, 2017) .

The relationship with the related parties is a common feature of the entities that constantly carry out their activities through the companies that are their subsidiaries, affiliates, or joint ventures (CPC 05 R1, 2010). Therefore, these transactions are established through contracts, and it is important to emphasize the decision-making processes before and after the formation of this document. In addition, it is necessary to highlight the aspects of corporate governance applied to this contract and the peculiarities of the legal environment in which the related party is located (Przendsiuk, 2015).

In this environment, it is necessary that information about the transactions, existing balances, commitments, and the relationship of the entity with the related parties are adequately disclosed, because this information can influence the decision-making of the external users who use the accounting reports as a basis (Magalhães et al., 2011).

Silveira et al. (2008) have verified that the risks inherent in transactions with the related parties are linked to the potential conflicts of interest, manipulation of information, and failure to disclose. These risks can compromise transparency, integrity, and fairness in the operations of the company, affecting the confidence of the investors and damaging the reputation and decision-making of the company.

Beerbaum (2018) highlights the Enron case as one of the many corporate scandals that have been associated with the related-party transactions, Enron established partnerships to remove assets and liabilities from its books, but this action was not disclosed and inadequately explained in its annual report.

According to Corlaciu and Tudor (2011), the relationship with the related parties can have effects on the results and financial position of an entity. This relationship allows for transactions that independent entities would avoid, directly impacting the assessment of performance, financial position, risks, and opportunities by users of financial statements. The existence of the related parties can affect the entity even in the absence of direct transactions, highlighting the need for a thorough understanding of transactions, outstanding balances, and commitments related to these parties.

Therefore, the rigorous application of the Technical Pronouncement CPC 05 (R1) is essential to ensure that financial statements transparently reflect the impacts of these transactions.

2.2 Corporate Governance in Organizations

The corporate governance has gone through a significant evolution in the last years, moving from a strict emphasis on maximizing economic value for shareholders to a more comprehensive objective that seeks to generate shared value with all stakeholders. This establishes a link between organizations and the economic, social, and environmental dimensions around them (Brazilian Institute of Corporate Governance IBGC, 2023) .

To ensure a good corporate governance, it is important to emphasize the importance of monitoring the relationships that the entity has with the different individuals who play a significant role in the decisions of the organization (Przendsiuk, 2015). In this environment, good corporate governance is recognized by international guidelines as a crucial mechanism that ensures accountability and improves performance, being a potential source of competitive advantage for companies (Ho, 2011).

According to a study made by Ribeiro and Souza (2022), between the years of 2015 and 2018, it is possible to observe an evolution in publications about corporate governance, mainly during the year of 2017. Canaj et al. (2022) explain that this growing interest in the concept of corporate governance is related to the increase in economic collapses and financial crises over the years.

Among the factors that motivate this attention, transactions involving the related parties stand out, as they have considerable potential to generate conflicts of interest, both between shareholders and managers, and between minority shareholders and controlling shareholders (Silveira et al., 2008). In a business environment which is subject to conflicts of interest, corporate governance is the institution which addresses mechanisms, such as rules, systems, and procedures that the management of the entity can follow in order to achieve the objectives of the stakeholders (Ismail et al., 2022).

It is essential that the governance agents ensure the existence of transparent and effective policies and processes to mitigate and inhibit conflicts in the context of collegiate decisions and in the day-to-day activities of the entity, based on the principles of integrity, transparency, equity, accountability, and sustainability. These policies should guide decision-making in an impartial manner and in the best interests of the organization, avoiding any influence from other interests, whether personal or commercial (Brazilian Institute of Corporate Governance IBGC, 2023).

Fama (1980) already warned that the main function of a manager is to monitor the contracts that present factors and probabilities of failure or success. The contracts between the related parties present such risk potential, Cardoso et al. (2004) emphasize that administrators began to show a growing concern with the contract management, especially after the events of September 11, 2001 in the United States. Aware of this aspect, the capital market regulatory agencies established specific rules for the transparent disclosure of information, seeking to improve the efficiency of the market and to identify accounting fraud in the companies

In this context, the transparency of accounting becomes a fundamental mechanism of governance, being one of the most significant signs in building corporate reputation. The practices adopted by managers, when transparent, characterize a commitment to preserving the competitive advantage and promoting the integrity and trust necessary to achieve a good reputation in terms of corporate governance (Góis & Soares, 2019).

It can be surmised that the evolution of corporate governance reflects a significant change, shifting from an approach focused on maximizing the economic value for shareholders to a broader perspective, aiming to generate shared value with all stakeholders. This growing attention to this concept highlights the need to include effective mechanisms to ensure the transparency, integrity, and accountability of corporate practices.

Therefore, good governance plays a crucial role in the disclosure with the related parties, promoting integrity, transparency, equity, accountability, and sustainability. The combination of corporate governance and the proper disclosure of the related parties is essential to promote greater security to all stakeholders and preserve a solid reputation in the business environment.

2.3 Similar studies

A survey of previous studies similar to the theme of this research was conducted using the Scientific Periodicals Electronic Library (SPELL), Google Scholar, and the CAPES Journal Portal. The keywords used in the survey were: related parties, corporate governance, CPC 05 (R1), IAS 24, and accounting disclosure. In Table 1 is presented a summary of the studies found.

Table 1
Previous studies

Authors	Analyzed period	Objective of the Research	Results
Silveira et al. (2008)	2006	Identify the legal strategies adopted in Brazil to avoid problems arising from the conflicts of interest in the transactions between the related parties	It was concluded that the system relies mainly on two legal strategies: the rules of conduct with ex-post analysis and mandatory transparency of relevant information. In addition, transactions between the related parties are significant and frequently carried out by the companies in the sample.
Souza et al. (2013)	2011	Identify characteristics associated with the total value of transactions with the related parties in Brazilian publicly traded companies.	It was possible to verify that there is no evidence that the value of transactions with the related parties may have any relation with the concentration of shareholding control or with the adoption of differentiated levels of governance.
Przendsiuk (2015)	2014	Indicate any opportunities for improving practices or the set of laws governing transactions between the related parties.	It was possible to observe that the legal science needs to focus on improving the mechanisms that allow for special control of these businesses and evolve the legal and regulatory discipline of transactions between the related parties. In addition to highlighting that it is necessary to empower individuals to understand the essential values and ethical aspects.
Castro (2017)	2017	Verify if the Brazilian entities listed on BM&FBOVESPA are disclosing their financial statements, meeting the minimum disclosure requirements contained in CPC 05 (R1) – Disclosure on the Related Parties.	It was possible to observe that the companies did not correctly disclose the items that should have been disclosed. However, a slight improvement in the level of the disclosure can be noted between the averages disclosed from the years 2012 to 2016.

Dantas et al. (2022)	2010 a 2020	To evaluate the impact of the transactions with the related parties on the auditing work.	The study revealed that the BDO RCS Independent Auditors was the audit firm that most frequently mentioned the related-party transactions in its reports, that most of the highlights made by auditors on the subject are through emphasis paragraphs that address the relevant volume of these transactions, and that the mention of the transactions between the related parties in the audit reports is related to the volume of these transactions and the level of profitability of the companies

Source: *Research data (2024).*

The previous studies presented, provided an insight into transactions between the related parties, revealing significant perceptions about legal strategies, transaction characteristics, corporate governance practices, accounting disclosure, and the impact of these transactions. Silveira et al. (2008) highlighted legal strategies adopted in Brazil, emphasizing the importance of mandatory transparency and rules of conduct in order to avoid any conflicts of interest.

Meanwhile, Souza et al. (2013) explore the relationship between the total value of transactions with the related parties in publicly traded companies and aspects such as concentration of share control and different levels of governance. Przendsiuk (2015) adds to the discussion on opportunities for evolution in practices and laws related to the related parties, highlighting the need for improvement and evolution of mechanisms and legal and regulatory discipline.

In the context of the accounting disclosure, Castro (2017) analyzes whether the companies in his sample meet the minimum disclosure requirements contained in CPC 05 (R1), which, despite presenting flaws in disclosure, points to an improvement over time. Dantas et al. (2022) analyze the impact of these transactions on audit work, highlighting the emphasis given by auditors to the volume of these transactions and their relationship with the financial performance of companies. Together, these studies provide an integrated view of the related parties and legal aspects, governance practices, accounting disclosure, and auditing.

Considering the above, studies dealing with the related parties are relevant, given that the magnitude of the amounts involved can have a significant impact on stakeholders in the company, especially the investors .

A comprehensive analysis of previous studies highlights the complexity and interconnection of several aspects in the context of the transactions between the related parties, such as legal strategies, corporate governance, accounting disclosure, and auditing. These studies provide an in-depth understanding of the challenges and opportunities associated with the topic. The persistent emphasis on transparency, regulatory developments, and improved practices reveals a dynamic scenario that impacts not only the organizations involved, but also investors and other stakeholders.

3 Methodological Procedures

3.1 Population and Research Sample

All Brazilian publicly traded companies listed on the Brasil, Bolsa Balcão (B3) stock exchange in these segments were analyzed to identify those that had transactions with the related parties in the fiscal year of 2022. On April 18, 2024, there were 462 companies listed on B3. .

Table 2
Research sample by sector of activity

Sector	Quantity
Industrial Assets	57
Communication	10
Cyclical consumption	71
Non-cyclical consumption	25
Financial	42
Basic Materials	19
Petroleum, Gas and Biofuel	11
Healthcare System	23
Information Technology	14
Public Utility	43
Total	**315**

Source: *Research data (2024).*

Table 2 shows the distribution of the 315 companies in the sample across their sectors of activity, highlighting the sectors of “Cyclical Consumption,” “Industrial Assets,” and “Public Utility,” which have the largest presence. Therefore, it allows for a comprehensive analysis of the diversity of economic sectors available in the Brazilian capital market, in addition to the representativeness of these companies included in the survey on transactions with the related parties.

3.2 Research Design

This study adopts a qualitative approach, as it aims to understand and explain how real aspects can be related to the dynamics of social relations (Gerhardt & Silveira, 2009). The researchers use qualitative techniques to explore and understand the data in greater depth, without seeking statistical precision, prioritizing the richness and contextualization of the information (Gil, 2018).

The research is classified as descriptive, considering that this process aims to identify, record, and analyze characteristics, factors, or variables related to the phenomenon or process in question (Nunes et al. 2016).

The objective of descriptive research is to discover the frequency with which the phenomenon occurs, its relationships and connections with other elements, seeking to understand the various situations and relationships that occur in social, political, economic, and other aspects of human behavior, both at the individual level and in more complex groups and communities (Manzato & Santos, 2012).

The source of data for this investigation was documentary, considering that the Notes to the Consolidated Standardized Financial Statements and Reference Forms for the year of 2022, available on the Brasil, Bolsa, Balcão (B3) website, were used. The choice of the year was motivated by its relevance in the business and economic context. In January 2023, there were significant disclosures involving transactions with the related parties in a large Brazilian company, such as the Americanas case, which shows that in 2022 these conditions existed in its context and were found to be the result of corporate governance failures.

The study was prepared based on the selection of the companies in the sample, collection of documents from the B3 website, reading and extraction of information on TPR in accordance with CPC 05 (R1), organization in spreadsheets, and analysis in light of the literature on corporate governance and TPR.

3.3 Research Instrument

3.3.1 Research instrument for analyzing the level of disclosure of transactions with the related parties

As an analytical instrument for measuring the level of disclosure of transactions with the related parties, a checklist was prepared based on the disclosure requirements contained in accounting pronouncement CPC 05 (R1), which is shown in Table 3.

Table 3
Checklist

a)Disclosure of relationships between the controlling entity and its subsidiaries, regardless of whether there are transactions between them. The entity must disclose the name of its direct controlling entity and, if different, the ultimate controlling entity.
b) Disclosure of the nature (types) of the relationship between the related parties.
c) An overview of the effects caused by relationships with the related parties.
d) Disclosure of total compensation of key management personnel.
e) Detailed disclosure of the remuneration of key management personnel.
f) Information on existing balances resulting from transactions between the related parties.
g) Disclosure of the total amounts payable and receivable from the related parties.
h) Detailed classification of amounts payable and receivable from the related parties in different categories.
i) An assessment of the risks and opportunities which the entity faces.
j) Disclosure of the conditions under which transactions with the related parties were carried out.

Source*: adapted from CPC 05 (R1, 2010).*

The Table 3 serves as a benchmark for companies to ensure minimum mandatory disclosure requirements for the transactions with the related parties. The compliance with these guidelines contributes to the transparency and proper understanding of the financial information by the users of the financial statements

As it can be seen in Table 3, the Checklist for analyzing the disclosure of the transactions with the related parties is formed by 10 items. The verification was carried out in each of the companies belonging to the sample, making it possible to measure the level of disclosure as will be explained in topic 3.4.

3.3.2 Analysis of the representativeness of the transactions with the related parties

To analyze the representativeness of the transactions with the related parties existing in the companies in the sample, all of the existing relationships were identified, obtaining the number of types of relationships verified, as well as identifying the values of the balances existing between the parties. Thus, it was possible to obtain the value and volume of these transactions, aiming to relate them to the level of disclosure and the corporate governance characteristics adopted by the companies under study.

3.3.3 Corporate governance features contained in the Code of Best Corporate Governance Practices

The Code of Best Practices for Corporate Governance represents a set of guidelines established to improve the management and operations of the company, aiming to promote respect for integrity, fairness, responsibility, transparency, and sustainability in its relations with society, it aims to guide the organizations in the adoption of standards that contribute to more effective management, aligning the interests of shareholders, directors, employees, and other stakeholders (IBGC, 2023). In Table 4, there are suggestions of the conduct that the entity can follow to enhance its management and improve its corporate governance .

Table4
Suggestions for the Code of Best Practices in Corporate Governance

a) Existence of efficient communication channels with different stakeholders in the organization.
b) Board of Directors with independent members.
c) Having an Audit Committee.
d) Having an Internal Audit
e) Having a compliance area in the company.
f) Having an Ethics Committee.
g) Disclosure of the Sustainability Report or Integrated Report.
h) Possession of a risk management system.
i) Ensuring that executive compensation is transparent and proportional.
j) Disclosure of the internal control systems.

Source: *adapted from IBGC (2023).*

In Table 4, there are 10 suggestions for corporate governance practices that are guided by the IBGC Code (2023). Although these guidelines are not mandatory for all of the companies in the sample, the intention is to verify whether those that voluntarily adopt these guidelines also have a better level of disclosure of their relationships with the related parties, considering that these suggestions aim at integrity, transparency, fairness, accountability, and sustainability. The documents used in the analysis of governance characteristics were the Notes to the Financial Statements and the Reference Form.

3.4 Research Procedures

The methodology adopted to obtain the level of disclosure of the transactions with the related parties consists of assigning values to the items disclosed in the Consolidated Financial Statements and in the Notes to the Financial Statements for the year of 2022 of the companies that comprised the sample.

In this analysis, a value of 1 was assigned when the information required in the item was presented clearly and completely. Items that were not evident or that were not presented adequately as described in the evaluated requirement were assigned a score of 0. Finally, in cases where the company explicitly stated that a particular situation did not apply to it, the status NA (not applicable) was assigned. This methodology was used in the study by Souza and Borba (2017).

The same calculation methodology was adopted to obtain the Corporate Governance index. The verification was performed for each company in the sample, generating a disclosure index. Based on these indices, it was possible to observe the levels of disclosure of the transactions with the related parties of each company in the sample, as well as the corporate governance indices. This approach provided an overview of how transparent each company is in relation to its transactions with parties that have some connection with it and its corporate governance practices.

In addition, to achieve the objective of the research, the types of the related parties existing in the companies in the sample were presented. This detailed analysis allowed for a deeper understanding of business relationships and the diversity of the transactions involve.

The sector analysis was conducted to observe possible trends in terms of the quantity, representativeness, types, and level of disclosure of related-party transactions, taking into account the sector in which the companies operate. This approach enriches the research and provides insights into specific practices in the sector.

4 Results and Analyzis

4.1 Categories of the Transactions with the Related Parties

In Table 5, the categories of the transactions with the related parties identified in the research are presented, as well as the total amount verified in the notes to the financial statements of the companies.

Table 5
Categories of the Transactions with the Related Parties present in the research

Types of the Transactions with the Related Parties	Quantity	%
Subsidiaries.	240	76,19%
Subsidiaries ans Affiliates.	32	10,16%
Subsidiaries; Jointly Controlled Subsidiaries and Affiliates.	19	6,03%
Subsidiaries and Jointly Controlled Subsidiaries.	10	3,17%
Subsidiaries and Joint Venture.	3	0,95%
Subsidiaries, Joint Ventures and Affiliates.	3	0,95%
Subsidiaries and Relates Parties.	2	0,63%
Affiliates.	1	0,32%
Jointly Controlled.	1	0,32%
Subsidiaries and Shareholders.	1	0,32%
Subsidiaries; Affiliates and Shareholders.	1	0,32%
Subsidiaries, Affiliates, Joint Operations, and Shareholders.	1	0,32%
Shareholders, the Board of Directors, the Executive Board, and the Advisory Committees of the Board of Directors.	1	0,32%
Total	**315**	**100%**

Source: *Research data (2024).*

It is possible to verify in Table 5 that 76.19% of the sample have transactions only with subsidiaries, indicating a tendency for internal transactions within the same business group in the sample. In this regard, the study by Souza et al. (2013) raised the hypothesis that the greater the number of holdings in subsidiaries, the greater the number of transactions between them and the parent company .

However, it is possible to verify a diversity of transaction categories in the rest of the sample, in which 10.16% present transactions with subsidiaries and affiliates and 6.03% of companies have transactions with subsidiaries, jointly controlled subsidiaries, and affiliates.

In Table 5, it can be seen that the categories "controlled and jointly controlled," "controlled and joint venture," "controlled, joint venture, and affiliated," "jointly controlled," "controlled and shareholders," "controlled, affiliated, and shareholders," "controlled, affiliated, joint operation, and shareholders," and "Shareholders, the Board of Directors, the Executive Board, and the Advisory Committees of the Board of Directors" have a low representation in the sample analyzed, with between one and three companies.

4.2 Details of the Types of Transactions with the Related Parties

An analysis and breakdown of the main types of financial and operational interactions between the company and its related parties was carried out. In Table 6, it can be seen that the items that appeared most frequently in the survey and their percentage based on the total number of interactions.

Table 6
Items related to the transactions with the related parties

Types identified	Quantity	%
Accounts, duplicates, and receivables.	138	12,17%
Loan Agreements.	97	8,55%
Dividends.	90	7,94%
Sharing and provision of services.	83	7,32%
Accounts, duplicates, and receivables.	81	7,14%
Sharing of expenses and costs.	74	6,53%
Sales of equipment, products, and raw materials.	67	5,91%
Sharing of suppliers.	66	5,82%
Purchases of equipment, products, and raw materials.	55	4,85%
Loans and financing payable and/or receivable.	55	4,85%
Contracts and rental expenses.	42	3,70%
Interest on equity.	37	3,26%
Advances made.	34	3,00%
Revenue from sales, financial services, and services.	34	3,00%
Remuneration of administrators and shareholders	29	2,56%
Reimbursements received and made.	24	2,12%
Sharing of customers.	18	1,59%
Leasing of equipment and assets.	18	1,59%
Investments made.	16	1,41%
Amounts for capital payment.	16	1,41%
Others	60	5,29%
Total	**1134**	**100,00%**

Surce: *Research data (2024).*

The items "Loan Agreements" (8.55%) and "Dividends" (7.94%) also feature significantly in the companies in the sample. Both are important financial transactions that directly affect the liquidity and distribution of resources .

In Table 6, significant types of Transactions between the Related Parties are identified, indicating intense and frequent collaboration within the business group, such as "Sharing and provision of services," which reflects the exchange of specialized services between group companies, while "Sharing of expenses and costs" points to joint management of financial resources. while "Sales of equipment, products, and raw materials" and "Purchases of equipment, products, and raw materials" show a continuous flow of goods between the companies in the group, indicating that these transactions are used to optimize costs and resources, in addition to strengthening the operations and competitiveness of the business group as a whole.

"Loans and financing payable and/or receivable" and "Lease agreements and expenses" represent 4.85% and 3.70%, respectively, reflecting the management of the assets and liabilities between the parties and highlighting how these items can be essential for the financial and asset management of the company.

The presence of the items "Sharing of Customers" (1.59%) and "Leasing of Equipment and Assets" (1.59%) shows that there is a diversity of transactions that are important for the specific operations of companies, even if they occur less frequently.

In the study conducted by Souza et al. (2013), it is possible to see that transaction types such as "rentals," "loan agreements," "provision of services," and "loans and financing" already had a significant presence within the publicly traded companies.

The results found highlight the wide range of transactions between the related parties existing in Brazilian companies, in addition to highlighting the complexity and diversity of the financial and operational interactions within the group that make up the sample .

4.3 Transactions by Sector of Activity

Based on the data presented in section 4.1, Table 7 provides an understanding of the diversity of economic sectors, the interaction with their related parties, and the financial impact of these transactions.

Table 7

Amount of TPR identified by sector of activity.

Sector of activity	*Total of companies*	*Amount of TPRs identified*	*Total value of TPRs by sector (in thousands of reais)*
Industrial Assets	*57*	*8*	*79.807.434*
Public Utility	*43*	*6*	*60.123.881*
Financial	*42*	*5*	*190.110.888*
Cyclical consumption	*71*	*5*	*34.229.496*
Non-Cyclical consumption	*25*	*5*	*61.708.969*
Healthcare System	*23*	*3*	*12.250.103*
Basic Materials	*19*	*4*	*91.583.776*
Information technology	*14*	*1*	*23.216.314*
Petroleum, Gas and Biofuels	*11*	*3*	*5.808.699*
Communication	*10*	*2*	*20.038.693*
Total	***315***	***42***	***578.878.253***

Caption: TPR - Transactions with the Related Parties

Source: *Research data(2024).*

The industrial assets sector has a greater diversity of TPRs, as it covers eight different categories of the transactions involving 57 companies. This sector totals approximately R$ 79,807,434 (in thousands of reais), indicating a considerable amount of financial transactions between the related parties.

The financial sector, with 42 companies, has the highest total TPR value, reaching R$ 190,110,888 (in thousands of reais), as in the study conducted by Souza et al. (2013), which presented a value of R$ 12,605,343 (in thousands of reais), a relatively high value for the date. The high value observed for the date in question may be associated with the nature of the financial transactions carried out, which often involve large amounts due to the characteristics of financial activities, such as loans, investments, mergers, and acquisitions.

The " Petroleum, Gas, and Biofuels" sector involves highly complex transactions of considerable value, even though it has fewer companies and a lower total TPR value than other sectors, which is possibly linked to the concentration of large shareholders.

The knowledge of TPR information existing in the companies is crucial to understand the internal financial dynamics of the companies and ensure transparency and regulatory compliance in transactions with the related parties .

4.4 Corporate Governance Analysis

In Table 8, the number and percentage of items related to corporate governance in relation to the total sample are presented, showing the characteristics identified in the companies.

Table 8
Corporate Governance items analyzed.

Corporate Governance items analyzed	Quantity	%
Has risk management	296	93,97%
Has internal control system	170	53,97%
Has Audit Committee	146	46,35%
Discloses Sustainability Report or Integrated Report	140	44,44%
Transparent and proportional executive compensation	133	42,22%
Has Compliance area	118	37,46%
Board of Directors with independent members	111	35,24%
Has Ethics Committee	110	34,92%
Has Internal Audit	88	27,94%
Existence of communication channels	78	24,76%

Source: *Research data (2024).*

The item that prevailed most in the companies analyzed was "Has Risk Management," with 93.97%, indicating that a large part of the sample considers and adopts risk management as a fundamental part of the control and continuity of the company. This management is an essential component of corporate governance because it helps ensure that the company is prepared to identify, assess, and mitigate risks that could affect business continuity and performance.

Another governance feature with significant representation in the sample is the Internal Control System, which accounts for 53.97%. This is an essential practice for ensuring the accuracy and integrity of financial operations and reports, as well as preventing fraud and errors.

Analyzing issues related to auditing, it is noted that 46.35% of the companies in the sample have an Audit Committee, but only 27.94% have Internal Auditing. This percentage reflects the importance that the company places on transparency and continuous evaluation. Related to transparency and corporate ethics, there is also the disclosure of sustainability reports (44.44%), boards of directors with independent members (35.2%), and ethics committees (34.92%).

The transparency of executive compensation (42.22%) is an important practice for ensuring the trust of investors and stakeholders, as it demonstrates that the company is committed to fairness and transparency in compensation.

The data presented serves as a basis for arguing about the representativeness and impact of these practices in the companies analyzed. By promoting a solid corporate governance, the company aligns its interests, prevents conflicts, attracts talent, and improves its reputation in the market.

4.5 Average of Indicators Analyzed by Sector

In Table 9, the average of Corporate Governance and Related Party Disclosure indices are shown by sector. These indices assess the quality of corporate governance practices and the transparency of the related party disclosures in different economic sectors.

Table 9
Average Corporate Governance and TPR disclosure indices by sector.

Sector	Quantity	TPR Average Exposure	Corporate Governance Index Average
Public Utility	43	80,93%	64,38%
Industrial Assets	57	78,99%	48,03%
Communication	10	78,00%	40,00%
Healthcare System	23	76,52%	44,11%
Cyclical consumption	71	75,07%	34,71%
Basic Materials	19	74,61%	40,60%
Petroleum, Gas and Biofuel	11	74,55%	46,36%
Information technology	14	72,86%	44,84%
Non-cyclicalconsumption	25	72,80%	42,76%
Financial	42	69,17%	55,56%

Source: *Research data (2024).*

The public utility sector had the highest corporate governance and TPR disclosure index, reflecting the importance of good governance practices and the need for transparency to maintain investor and public confidence. It should also be noted that companies in this sector are regulated by specific agencies, such as the National Electric Energy Agency (ANEEL), the National Water and Basic Sanitation Agency (ANA), and the National Petroleum, Natural Gas, and Biofuels Agency (ANP), which may be related to their results in the survey.

In the study conducted by Souza (2011), the public utility sector showed a high average disclosure rate during 2008 and 2009, similar to the results of the present study, which was based on the year of 2022, which may indicate a possible trend related to this sector.

The Cyclical Consumption sector has the lowest average corporate governance score (0.3471), followed by the Communication sector (0.4000). This may indicate that these sectors may be facing greater challenges in implementing robust governance practices, possibly due to the more volatile and competitive nature of their operations .

It is possible to observe a trend whereby sectors with high corporate governance ratings also have high TPR disclosure ratings, as seen in the Public Utility and Financial sectors. These results suggest that companies with good governance practices are more inclined to be transparent in their transactions. Przendsiuk's (2015) study emphasizes that training individuals is crucial for understanding and applying essential values and ethical aspects, highlighting the importance of a multidisciplinary approach involving all parties in corporate governance to recognize and value the correct application of these standards.

5 Conclusions

The objective of this research was to analyze the level of disclosure and representativeness of the transactions with the related parties in relation to the corporate governance of companies listed on B3 .

The results demonstrated that there is significant variation in the level of disclosure of TPRs among different sectors. The public utility sector had the highest corporate governance and disclosure index, reflecting the importance of good governance practices and the need for transparency. In contrast, the cyclical consumption sector had the lowest average corporate governance score, indicating possible challenges for the implementation of robust governance practices.

The research also highlighted that most of the companies only conduct transactions with subsidiaries, highlighting a strong relationship of internal transactions within the same business group. Among the transactions identified, the main categories are “purchases and sales,” “loans and financing,” and “services provided and received.” This suggests a complexity in business relationships that goes beyond transactions with subsidiaries, indicating the need for a more detailed analysis of these interactions .

In terms of representativeness, the healthcare system sector had the highest average, while the cyclical consumption sector had the lowest. This indicates that, despite variations in transparency, there are sectors that deal with more significant volumes of TPR, which can impact their operations and strategic decisions .

The joint analysis between the level of disclosure and the representativeness of TPRs showed no trend of relationship in the sample analyzed, indicating that the transparency of information may not depend on the total value of transactions. This suggests that additional factors, such as those related to corporate culture and regulatory requirements, may be influencing the disclosure of these transactions.

The research also highlighted that, although CPC 05 (R1) was published in Brazil 14 years ago, there ares till challenges in the full adoption of its guidelines by the companies.

It is essential that companies adopt more transparent and detailed practices in disclosing TPRs, as this not only meets regulatory requirements but also improves the confidence of investors and other stakeholders in the management of the company. Transparency in the transactions with the related parties is crucial to avoid conflicts of interest and ensure that operations are conducted fairly and equitably.

It should be noted that the results found in this study are limited to the sample and period analyzed and cannot be generalized to other companies or different periods. As a suggestion for future research, an analysis could be conducted of the level of disclosure and representativeness of TPRs of companies listed on B3 in subsequent fiscal years, including other variables in the investigation, such as the impact of external audits and the influence of ownership structure. Additionally, it would be relevant to explore the perception of the investors on the quality of TPR disclosure and its impact on investment decision-making.

In the last analysis, strengthening corporate governance and increasing the transparency of TPRs is not only a regulatory obligation, but also a strategic advantage capable of sustaining long-term competitiveness and corporate credibility.

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