

Overview of Corporate Governance in Brazil

Objectives and Methodology

Objectives

- Gather the perception regarding Corporate Governance importance and its main benefits
- Collect perspectives regarding the main structures of corporate governance and their function
- Identify recent corporate governance developments in Brazil
- Identify the main opportunities for improvement

Approach

- Sample of 300 Brazilian companies, with sales in excess of R\$200 million
- Survey of 85 companies
 - 68% listed companies
 - 28% from Novo Mercado
 - 25% from Nível 1 e 2
 - 15% from traditional listing
 - 32% non-listed companies
- 137 questionnaires from:
 - Chairmen
 - Board Members
 - Fiscal Council Members
 - CEOs
 - IR Officers
- Personal, in depth interviews with 20 participants

Research results indicate improvement in several corporate governance aspects...

- Awareness of the IBGC code of best practice
- Adoption of codes of conduct
- Adoption of minority shareholders protection policies
 - tag along, board member election, related parties transactions policy
- Adoption of mechanisms for conflict resolution
 - insider information policy, arbitration, retreat from discussions and resolutions

Research results indicate improvement in several corporate governance aspects...

- Adequacy of board size to IBGC's code recommendation
- Boards value their strategic responsibilities, reducing their role as a "shareholders forum" (despite the proportion of owners in boards is still too high)
- Adequacy of board meetings' frequency to IBGC's code recommendation
- Adoption of board committees

... but some, despite having evolved, still need more improvements

- Implementation of CEO succession plans
- Reduction in the number of owners in boards
- Increase in the number of independent members on the board
- Change in board committees composition (most committees are composed by board and non-board members)
- Increase awareness on the importance of director's continuing education

On the other hand, some board issues still need great improvements

- Increase awareness on the importance of:
 - Risk management
 - Capital structure
 - Human resources
 - Board evaluation
 - Board diversity (specially the number of women on the boards)

Strengths

- 87% of respondents are aware of the IBGC code
- 85% of the companies split the roles of CEO and chairman
- 77% consider strategy as an important issue to be discussed by the board
- 84% of companies do a formal follow up of the board decisions' implementation

Weaknesses

- Only 47% of companies have a CEO succession plan
- Only 50% consider risk management as an important matter to the board
- Only 29% consider human resources an important issue to the board
- 69% of board rarely discuss evaluation of executive officers.

Complementary information

- Complete research results will be available by early February at IBGC and Booz&Co websites



For further details:

Instituto Brasileiro de Governança Corporativa

- Heloisa Bedicks – Executive Director
- Adriane de Almeida – Knowledge Center Coordinator
- Luiz Martha – Researcher
- Founded on November 27, 1995, the Brazilian Institute of Corporate Governance (IBGC) is a non-profit, cultural entity of national reach. It was one of those responsible for the introduction and spread of Corporate Governance concept in Brazil and now is the main reference in the country focusing on the development of best governance practices. The institute now has more than 1500 members and 4 regional chapters: Paraná, Rio, Sul and Minas Gerais.
- The IBGC promotes conferences, publications, training and networking among professionals, contributing to better organizational performance, for the perpetuation of the business and hence to the national future.
- IBGC 's main objective is to seed the transparency in corporate management, equity among partners, accountability and corporate responsibility. Such attitudes have facilitated companies access to the capital markets and to attract investors, resulting in greater value creation. Moreover, they have positively influenced the top management of companies not listed on the exchange markets
- www.ibgc.org.br
- Phone: + 55 11 3043 7008 or + 55 11 3043 6007
- Fax: 11 3043 7005

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- Paolo Pigorini – Vice President
- Carlos Cerávolo – Director
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