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CORPORATE GOVERNANCE IN BRAZIL

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1. Setting the Scene - Sources and Overview

1.1. What are the main corporate entities to be discussed?

In Brazil, the two main types of corporate entities are limited liability companies (sociedades limitadas) and corporations (sociedades anónimas). Limited liability companies have a simpler structure and are generally used for small and medium-sized businesses, family-owned companies and subsidiaries. Corporations, by contrast, have a more complex structure, are subject to a more comprehensive regulatory framework, and are typically used for medium- and large-sized businesses.

As a general rule, corporations are the only corporate entities that may be listed and have securities admitted to public trading in Brazil. Although corporate governance is relevant to all types of companies, the answers below focus on corporations, particularly listed corporations.

1.2. What are the main legislative, regulatory and other sources regulating corporate governance practices?

The main sources of corporate governance requirements in Brazil are corporate legislation, the corporation's organisational documents, securities laws and regulations, stock exchange listing rules and, increasingly, soft law instruments and market practice guidelines.

Corporate legislation
The primary source of corporate regulation and corporate governance rules is Federal Law No. 6,404/1976, as amended (the "Corporation Law"), which governs all corporations in Brazil, whether

listed or privately held. In Brazil, corporate law and securities market regulation are matters of federal law.

The Corporation Law regulates the incorporation, organisation, existence and winding up of corporations, as well as matters such as the issuance of shares and other securities, shareholders' meetings, shareholders' rights, management bodies, duties and liabilities of directors and officers (directors), allocation of profits and distributions to shareholders.

Certain listed corporations in Brazil are controlled, directly or indirectly, by governmental entities. These companies are also subject to Federal Law No. 13,303/2016, which establishes a specific legal regime and governance standards for state-owned companies and mixed-capital companies. Except where expressly indicated otherwise, this chapter does not cover the specific corporate governance rules applicable to state-owned or government-controlled companies.

A corporation's organisational documents

All corporations in Brazil are governed by bylaws (estatuto social). In addition to setting out the corporation's name, corporate purpose, head office, capital stock and number and classes of shares, the bylaws may also regulate shareholders' meetings, board composition and powers, officers' authority, board committees, shareholders' rights and other corporate governance matters, to the extent that these matters are not mandatorily regulated by law. In case of conflict, the Corporation Law will generally prevail over the bylaws. The bylaws may be amended by resolution of the shareholders' meeting.

Listed corporations are also required to adopt a disclosure policy, setting forth rules and procedures for the disclosure of material acts or facts and for maintaining the confidentiality of material information not yet disclosed to the market. Listed corporations may also adopt a securities trading policy, establishing rules applicable to the corporation, its controlling shareholders, directors, officers, members of the fiscal council and other persons subject to trading restrictions when trading securities issued by the corporation.

Corporations, especially listed corporations, commonly adopt additional governance documents, such as codes of conduct, dividend policies, related-party transaction policies, risk management policies, board and committee charters and internal regulations. Certain listed corporations are required, or expected under applicable listing rules or governance standards, to adopt specific policies and internal governance instruments.

Securities legislation and Comissão de Valores Mobiliários ("CVM") regulation

Listed corporations are also subject to Federal Law No. 6,385/1976, which regulates the Brazilian securities market and the CVM, the Brazilian Securities and the Exchange Commission. Listed corporations must comply with the rules and guidance issued by the CVM, including, among others:

- CVM Resolution No. 44/2021, which regulates the disclosure of material acts or facts, trading of securities while material information remains undisclosed, and disclosure of securities trading by certain persons.
- CVM Resolution No. 80/2022, which regulates the registration of securities issuers with the CVM and the periodic and occasional disclosure obligations of issuers whose securities are admitted to trading in regulated securities markets.
- CVM Resolution No. 81/2022, which regulates shareholders' meetings, including remote voting ballots, proxy voting and the information to be made available to shareholders in connection with matters submitted to shareholders' approval.
- CVM Resolution No.215/2024,which regulates tender offers for the acquisition of shares issued by listed corporations, including mandatory tender offers, delisting tender offers and tender offers in connection with the sale of control.

Stock exchange rules

Corporations listed on B3 S.A.- Brasil, Bolsa, Balcão ("B3") the Brazilian stock exchange, must also comply with the applicable listing rules and regulations. B3 has different listing segments, including the traditional listing segment and the special corporate governance segments, such as Level 1, Level 2 and Novo Mercado. These special listing segments impose additional corporate governance obligations on listed corporations, with Novo Mercado being the segment with the highest governance standards.

Among other requirements, corporations listed on Novo Mercado must have capital stock composed only of voting common shares, grant full tag-along rights to all shareholders in the event of a sale of control, comply with enhanced disclosure obligations and maintain a minimum number of independent members on the board of directors (conselho de administracao). The rules of B3's special listing segments have been updated over time, including recent changes to liquidity, free float and trading requirements.

B3 also maintains access segments for smaller or developing companies, such as Bovespa Mais and Bovespa Mais Nivel 2, which are designed to provide a more gradual path to the capital markets.

Other sources

Soft law and best-practice guidelines also play an important role in Brazilian corporate governance. The Brazilian Institute of Corporate Governance (Instituto Brasileiro de Governanca Corporativa

(IBGC)), a private non-profit association, publishes governance codes, guidelines and other materials that, although generally not mandatory, are influential in shaping market practice.

In addition, Brazilian listed corporations registered in category A are required to disclose an annual report on the Brazilian Corporate Governance Code for Listed Companies, following a "comply or explain" approach. This report requires companies to state whether they follow certain recommended governance practices and, where they do not, to explain the reasons for their non-adherence.

1.3. What are the current topical issues, developments, trends and challenges in corporate governance?

Current corporate governance discussions in Brazil are increasingly focused on the effectiveness of governance structures in practice, rather than only on their formal adoption. Listed companies are expected to demonstrate that boards, committees and management are effectively overseeing strategy, risk, compliance, related-party transactions, conflicts of interest and market disclosure.

Environmental, social, and governance ("ESG") and sustainability-related reporting have also become more relevant, particularly after the issuance of CVM Resolution No. 193/2023, which introduced rules for the preparation and disclosure of sustainability-related financial information based on ISSB standards. This is expected to increase the importance of board oversight and internal controls over non-financial information.

Other current topics include board independence and diversity, executive compensation, cybersecurity and technology-related risks, the quality of internal controls and the continuing modernisation of CVM and B3 rules applicable to listed companies.

1.4. What are the current perspectives in this jurisdiction regarding the risks of short-terminism and the importance of promoting sustainable value creation over the long term?

Brazilian corporate governance discussions increasingly recognise the risks of short-termism and the importance of sustainable value creation over the long term. Under the Brazilian Corporation Law, directors and officers must exercise their powers in the interest of the company, while also taking into account the public interest and the company's social function. This provides a legal basis for a broader and longer-term approach to corporate decision making.

This perspective has been reinforced by market practice and soft law instruments, including the Brazilian Corporate Governance Code for Listed Companies and IBGC guidelines, which emphasise long-term strategy, risk management, integrity, sustainability and the alignment of executive compensation with long-term value creation.

In practice, however, short-term pressures remain relevant, particularly in listed companies subject to market volatility, concentrated ownership structures, or pressure for immediate financial results. As a result, one of the main challenges for Brazilian companies is to ensure that boards and management are able to balance short-term performance with long-term strategy, sustainable growth and proper risk management.

2. Shareholders

2.1. What rights and powers do shareholders have in the strategic direction, operation or management of the corporate entity/entities in which they are invested?

Shareholders do not directly manage Brazilian corporations. The operation and management of corporations are entrusted to their management bodies, namely the board of directors, when existing, and the officers. Shareholders influence the corporation's strategic direction, operation and management mainly through the exercise of voting rights at shareholders' meetings, including by electing, removing or refusing to re-elect members of the management bodies.

Shareholders may also resolve to install an overseeing committee (conselho fiscal), which is a corporate body responsible for overseeing the acts of management and reviewing certain corporate and financial matters. The overseeing committee may operate on a permanent or non-permanent basis, depending on the company's bylaws and shareholders' resolutions.

Under the Corporation Law, certain matters require shareholders' approval, including: amendments to the bylaws; the election and removal of directors and members of the overseeing committee; the approval of management accounts and financial statements; the allocation of profits and distribution of dividends; the issuance of debentures, except in certain cases where this authority may be delegated to the board of directors; the suspension of shareholders' rights; the valuation of assets contributed by shareholders in exchange for shares; the transformation of the corporation into another type of entity; mergers, consolidations, spin-offs and other corporate reorganisations; dissolution and winding up; filing for bankruptcy or judicial reorganisation; and, in the case of listed corporations, certain relevant related-party transactions.

The shareholders' meeting is the highest decision-making body of the corporation and has broad authority to decide on matters relating to the corporate purpose and to the protection and development of the company. In addition, the bylaws may require shareholders' approval for specific transactions, such as the sale of relevant assets or the execution of contracts exceeding certain thresholds. This type of provision is more common in closely held corporations, particularly those without a board of directors.

2.2. What responsibilities, if any, do shareholders have with regard to the corporate governance of the corporate entity/entities in which they are invested?

Corporate governance responsibilities are generally imposed on those who control or manage the corporation. In Brazil, although some listed corporations have more dispersed ownership structures, most listed companies still have a concentrated ownership structure, in which a controlling shareholder exercises significant influence over the company's activities.

Under the Corporation Law, the controlling shareholder must use its controlling power to cause the corporation to fulfil its corporate purpose and social function. The controlling shareholder also has duties towards the other shareholders, the corporation's employees and the communities affected by the company's activities. The controlling shareholder may be held liable for damages caused by the abusive exercise of its controlling power.

The Corporation Law also provides that all shareholders must exercise their voting rights in the corporation's best interest. A shareholder's vote may be considered abusive if it is cast with the purpose of causing damage to the corporation or to other shareholders, or of obtaining an undue advantage. A shareholder may be liable for damages caused by an abusive vote, even if the vote was not decisive for the approval of the relevant matter.

In addition, as discussed in question 2.6 below, certain shareholders are subject to disclosure obligations in relation to securities held by them.

2.3. What kinds of shareholder meetings are commonly held and what rights do shareholders have with regard to such meetings?

Annual shareholders' meetings are required by law and must be held within the first four months following the end of the corporation's fiscal year. Annual meetings resolve on management accounts, financial statements, allocation of profits and dividend distributions and, when applicable, the election of directors, officers and members of the overseeing committee.

Extraordinary shareholders' meetings may be called at any time to resolve on other corporate matters, including amendments to the bylaws, corporate reorganisations and the removal of members of management bodies. As mentioned in question 2.1, the shareholders' meeting is the corporation's highest decision-making body, subject to the powers assigned by law to the management bodies.

Shareholders' meetings are generally called by the board of directors or, if the corporation is not listed and does not have a board, by the officers. The call notice must include the meeting agenda and, as a general rule, only matters included in the agenda may be voted on. If management delays, for more than 60 days, the calling of a meeting required by law or the bylaws, any shareholder may call the meeting.

Shareholders representing at least 5% of the capital stock may require management to call a shareholders' meeting and indicate the matters to be submitted to shareholders. Shareholders holding at least 5% of the voting shares or 5% of the non-voting shares may also require a meeting for the installation of the overseeing committee. In listed corporations, these percentages may be reduced by CVM regulation.

Shareholders have the right to attend meetings, speak, request clarifications from management and, if they hold voting shares, vote. Voting rights may be exercised in person, by proxy or, in listed corporations, through remote voting ballots. Both management and shareholders may make proxy solicitations, and shareholders meeting applicable thresholds may request the inclusion of candidates or certain proposals in the company's remote voting materials.

2.4. Do shareholders owe any duties to the corporate entity/entities or to other shareholders in the corporate entity/entities and can shareholders be liable for acts or omissions of the corporate entity/ entities? Are there any stewardship principles or laws regulating the conduct of shareholders with respect to the corporate entities in which they are invested?

As noted in question 2.2 above, shareholders must exercise their voting rights in the corporation's best interest. Brazilian law does not impose a general duty on shareholders to vote; however, if they choose to exercise their voting rights, they must do so in accordance with the legal standards applicable to shareholder voting.

As a general rule, shareholders are not liable for acts or omissions of the corporation. The basic premise under Brazilian law is that shareholders are only liable for paying up the shares subscribed by them. A corporation is a legal entity separate from its shareholders and its liabilities must be satisfied with its own assets.

There are, however, limited circumstances in which shareholders may be held liable. Courts may pierce the corporate veil where the legal entity is abused, particularly in cases of deviation of purpose or commingling of assets. In labour matters, companies belonging to the same economic group may be held jointly and severally liable for labour obligations. In addition, the controlling shareholder may be liable for damages caused by the abusive exercise of controlling power, including where the controlling shareholder causes the corporation to favour another company or person to the detriment of the corporation or its minority shareholders.

Other than the rules discussed above and in question 2.2, there are no mandatory stewardship principles or laws of general application. However, the Brazilian Stewardship Code, originally launched by AMEC (Associação de Investidores no Mercado de Capitais), the Brazilian association of capital markets investors, and later updated in partnership with CFA Society Brazil, has become an important soft law instrument for institutional investors. Its signatories are expected to adopt and disclose stewardship practices, including policies on monitoring, engagement, and voting in relation to their investee companies.

2.5. Can shareholders seek enforcement action against the corporate entity/entities and/or members of the management body?

Yes. Shareholders may seek enforcement against the corporation in connection with violations of their rights. They may also file lawsuits to annul resolutions approved at shareholders' meetings that were irregularly called or installed, violated the law or the bylaws, or involved fraud or other defects.

Shareholders may also seek enforcement against directors and officers through derivative or direct claims. As a general rule, liability actions against members of the management bodies for losses caused to the corporation must be brought by the corporation, upon prior authorisation by the shareholders' meeting. If the shareholders' meeting approves the filing of such action and the corporation fails to file it within three months, any shareholder may bring the claim on behalf of the corporation. If the shareholders' meeting rejects the filing of the action, shareholders representing at least 5% of the corporation's capital stock may bring the claim. In both cases, any proceeds of a successful derivative claim are awarded to the corporation, which must reimburse the claimant shareholders for litigation expenses up to the amount of the proceeds obtained.

A shareholder may also bring a direct claim against directors or officers when the shareholder is directly affected by their acts or omissions. This requires direct damage to the shareholder, and not merely an indirect loss resulting from a decrease in the value of the shareholder's investment in the corporation.

Shareholders may also seek remedies against controlling shareholders in cases of abuse of controlling power.

2.6. Are there any limitations on, or disclosures required, in relation to the interests in securities held by shareholders in the corporate entity/entities?

There is generally no limitation on the number of shares a shareholder may own. In certain regulated sectors, such as broadcasting and newspaper media, specific foreign ownership restrictions may apply. Although not common, closely held corporations may also issue a special class of shares that may only be held by Brazilian shareholders.

The bylaws may limit the number of votes per shareholder, subject to statutory and regulatory limitations. In corporations listed on the Novo Mercado or Level 2 segments of B3, the number of votes of a shareholder or group of shareholders cannot be limited to a percentage lower than 5% of the capital stock, except in limited cases provided in the applicable listing rules.

Under CVM regulation, the controlling shareholder, shareholders or groups of shareholders that elect members of the board of directors or of the overseeing committee, and any person or group of persons representing the same interest that reaches certain relevant ownership thresholds must disclose their shareholdings to the company, the CVM and the relevant stock exchange. The disclosure must include, among other information, the purpose of the equity interest, the securities and derivative instruments held, and any shareholders' agreements or arrangements governing the exercise of voting rights or the purchase and sale of securities. Disclosure obligations also apply when subsequent acquisitions or disposals cause the relevant holding to increase or decrease by applicable thresholds.

Controlling shareholders, the corporation itself and other persons subject to trading restrictions are prohibited from trading securities issued by the corporation while a material act or fact remains undisclosed to the market. Trading restrictions also apply in certain periods preceding the disclosure of quarterly or annual financial information, subject to exceptions provided in CVM regulation, including trading carried out under approved individual investment or divestment plans.

In addition, acquisitions of shares by a controlling shareholder or related persons may trigger a mandatory tender offer in certain circumstances, including where such acquisitions materially reduce the liquidity of the shares held by minority shareholders, in accordance with CVM rules on tender offers.

2.7. Are there any disclosures required with respect to the intentions, plans or proposals of shareholders with respect to the corporate entity/entities in which they are invested?

Generally, it is for the management bodies, and not the shareholders, to comment on the company's plans or proposals. In listed corporations, CVM rules require management to disclose, before each shareholders' meeting, information and comments regarding the matters to be submitted to shareholders, including management proposals and supporting materials. Shareholders are generally not required to justify their votes or disclose their intentions, plans or proposals with respect to the corporation merely because they hold shares or vote at a shareholders' meeting. However, as noted in question 2.2 above, voting rights must be exercised in the corporation's best interest.

There are, however, specific disclosure obligations in certain circumstances. Under CVM rules, shareholders that reach relevant ownership thresholds in listed corporations must disclose certain information, including the purpose of their equity interest and any agreements or arrangements relating to voting rights or the purchase and sale of securities issued by the company. In addition, tender offer rules may require disclosure of the offeror's intentions and plans in connection with the target company, depending on the type and structure of the offer, including in the context of acquisitions of control or other mandatory tender offers.

2.8. What is the role of shareholder activism in this jurisdiction and is shareholder activism regulated?

Although shareholder activism in Brazil remains less prominent than in jurisdictions such as the United States, shareholders have become more active in Brazilian listed corporations, particularly in relation to governance, disclosure, related-party transactions, corporate reorganisations, tender offers and board composition.

Activism may take different forms, including participation in shareholders' meetings, requests for information and clarification, coordination with other shareholders to elect members of the board of directors or the overseeing committee, complaints before the CVM and litigation. The Corporation Law and CVM rules support shareholder engagement through mechanisms such as minority board election rights, proxy solicitations, remote voting ballots, requests to call meetings and requests to install the overseeing committee.

Shareholder activism is not regulated as a separate legal category, but activists remain subject to general rules on abusive voting, disclosure of relevant shareholdings, tender offers, insider trading, market manipulation and disclosure of material information.

3. Management Body and Management

3.1. Who manages the corporate entity/entities and how?

Corporations are managed by officers and, where required by law or provided in the bylaws, also by a board of directors. Listed corporations and government-controlled corporations (sociedades de economia mista) must have a board of directors.

The board of directors is responsible for setting the company's general business direction, electing and removing officers, supervising management, calling shareholders' meetings and approving matters reserved to it by law or the bylaws. Officers are responsible for the day-to-day management and representation of the corporation. The bylaws may assign specific roles and powers to each officer and may provide that certain matters must be decided collectively by the board of officers (diretoria).

The board of directors must have at least three members, while the board of officers must be composed of one or more officers. The directors and officers may reside in Brazil or abroad, provided that non-resident administrators appoint a representative in Brazil with powers to receive service of process in judicial and, in the case of listed companies, CVM administrative proceedings.

In Novo Mercado companies, the board must have at least two independent directors or 20% of independent directors, whichever is greater, and the roles of chief executive officer and chairperson of the board may not be held by the same person.

Corporations may also have an overseeing committee, although it is not a management body. Its main role is to oversee management and issue opinions on certain corporate and financial matters. The overseeing committee may be permanent or installed for a specific fiscal year upon shareholders' request and is composed of three to five members.

3.2. How are members of the management body appointed and removed?

Board members are elected by the shareholders, usually at the annual shareholders' meeting, and may be removed by shareholders at any time, with or without cause. As a general rule, the entire board is elected at the same time.

The Corporation Law provides mechanisms to facilitate minority representation on the board. Shareholders holding at least 10% of the voting capital may request cumulative voting. In addition, in listed corporations, holders of at least 15% of the voting shares, or holders of non-voting or restricted-voting preferred shares representing at least 10% of the capital stock, may elect one board member and alternate member through separate voting, excluding the controlling shareholder. These percentages may be reduced by CVM regulation depending on the value of the company's capital stock.

Officers are elected and removed by the board of directors or, if there is no board, by the shareholders' meeting. The bylaws define the number of officers, their titles, duties, powers and term of office. Note that under the Corporation Law the term of office of directors and officers may not exceed three years, and re-election is permitted.

Members of the overseeing committee are also elected by the shareholders' meeting. Non-voting shareholders and minority voting shareholders meeting the applicable legal thresholds may each elect one member and alternate member through separate voting.

3.3. What are the main legislative, regulatory and other sources impacting on compensation and remuneration of members of the management body?

The main sources on management compensation are the Corporation Law, CVM disclosure rules and, for listed companies, applicable listing rules and corporate governance policies.

Under the Corporation Law, the shareholders' meeting must approve the aggregate or individual compensation payable to directors and officers. In practice, shareholders usually approve an aggregate annual compensation amount, and the board of directors allocates such amount among individual members of management. The Corporation Law also regulates profit-sharing arrangements for management, which are subject to statutory limits and may only be paid in fiscal years in which the mandatory dividend has been distributed to shareholders. Stock option and other share-based compensation plans must generally be approved by shareholders.

Members of the overseeing committee have their compensation approved by the shareholders' meeting. Their compensation cannot be lower than 10% of the average compensation paid to officers, excluding benefits, representation allowances and profit-sharing.

Listed companies must disclose information on management compensation in their annual reference form (formulario de referencia) under CVM Resolution No. 80/2022, including their compensation policy and quantitative information on amounts paid to directors, officers and members of committees. Certain aspects of compensation disclosure have historically been subject to litigation and court orders, particularly regarding the disclosure of minimum and maximum individual compensation within each management body.

3.4. What are the limitations on, and what disclosure is required in relation to, interests in securities held by members of the management body in the corporate entity/entities?

As a general principle derived from the duty of loyalty, directors and officers of listed corporations may not use privileged or material non-public information to obtain personal advantages or trade securities issued by the corporation.

Members of management must disclose to the corporation the securities issued by the company, its controlling company or controlled companies that are held by them and certain related persons. The corporation must then disclose this information to the CVM and, as applicable, to the stock exchange, in accordance with CVM rules. In addition, upon request of shareholders representing at least 5% of the capital stock, management must provide information to the annual shareholders' meeting on their shareholdings, stock options and other securities issued by the company or affiliated companies.

CVM Resolution No. 44/2021 also imposes trading restrictions on directors, officers, members of the overseeing committee and other persons subject to trading restrictions. These persons may not trade securities while a material act or fact remains undisclosed to the market. Trading is also restricted during certain blackout periods preceding the disclosure of quarterly or annual financial information, subject to exceptions provided in CVM rules, including trading under approved individual investment or divestment plans. Listed companies may also adopt a securities trading policy setting forth additional internal rules.

3.5. What is the process for meetings of members of the management body?

Officers will only meet in a formally structured manner, acting as a board of officers, if and to the extent that the bylaws require certain matters to be decided collectively. Otherwise, officers generally carry out their duties individually, within their respective powers, and report to the board of directors, if any. As a result, the process for meetings of the board of officers may vary significantly from corporation to corporation.

There is also flexibility with respect to the process for meetings of the board of directors. Unlike officers, however, directors act collectively, and board resolutions are generally taken by majority vote. The bylaws must establish the rules for calling board meetings and for appointing the chairperson of the board. The chairperson may be appointed by the directors themselves or by the shareholders' meeting, depending on the bylaws.

The chairperson of a directors' or officers' meeting may have a relevant role in Brazilian corporations, particularly because shareholders' agreements duly filed with the corporation are binding on the company and on the members of management bodies. The chairperson may be required to disregard votes cast in breach of a filed shareholders' agreement and, in certain circumstances, to allow a party harmed by the absence or abstention of another board member to vote on that member's behalf, if the relevant vote is governed by the shareholders' agreement.

The bylaws may also establish qualified majorities or unanimous approval requirements for specific matters. Board meetings may be held in person or remotely, including by videoconference, provided that participants can effectively take part in the meeting.

3.6. What are the main specific corporate governance responsibilities/functions of members of the management body and what are perceived to be the key, current challenges for the management body?

Officers handle the day-to-day management and representation of the corporation. In listed corporations, they also play an important role in disclosure controls, including the disclosure of material facts and the preparation and publication of financial information.

The board of directors oversees strategy, risk, internal controls, compliance, related-party transactions and the performance of officers. Directors are increasingly expected to ensure that their decisions are properly informed and documented, including by requesting additional information, recording dissenting votes and abstaining from voting in situations of conflict of interest.

The overseeing committee, when installed, oversees the acts of management, reviews the company's financial statements and issues opinions on certain matters submitted to shareholders. It must also report fraud or errors to management and, if management fails to act, to the shareholders' meeting.

Current challenges for management bodies in Brazil include the effective implementation of compliance, internal controls and risk management structures, the quality of financial and non-financial disclosure, cybersecurity and technology risks, ESG and sustainability oversight, board independence, and the handling of conflicts of interest. These issues are especially relevant for listed companies subject to enhanced CVM and B3 governance requirements.

3.7. Are indemnities, or insurance, permitted in relation to members of the management body and others?

Yes. Indemnities and directors' and officers' insurance ("D&O insurance") are generally permitted in relation to directors, officers and, in certain cases, other corporate agents. In listed companies, indemnity agreements became more common after CVM Guidance Opinion No. 38/2018, which recognised their usefulness as a tool to attract and retain qualified professionals, while also setting out guidance on fiduciary duties and limits applicable to such arrangements.

As a general rule, indemnities and insurance should not cover losses arising from acts performed outside the scope of the relevant office or function, acts contrary to the company's interests, bad faith, wilful misconduct or fraud. In practice, D&O insurance and indemnity agreements are often used as complementary forms of protection for members of management.

3.8. What is the role of the management body with respect to setting and changing the strategy of the corporate entity/entities?

Under the Corporation Law, the board of directors is responsible for establishing and changing the corporation's general business direction, policies and strategy. These policies and strategies must be consistent with the company's corporate purpose, the bylaws, applicable law, and resolutions approved by the shareholders' meeting.

Officers are responsible for implementing the strategy approved by the board and for conducting the day-to-day management of the corporation. If the corporation does not have a board of directors, strategic decisions are generally made by the officers, subject to the powers reserved by law or the bylaws to the shareholders' meeting.

Only shareholders, by resolution taken at a shareholders' meeting, may amend the corporation's corporate purpose.

4. Other Stakeholders

4.1. May the board/management body consider the interests of stakeholders other than shareholders in making decisions? Are there any mandated disclosures or required actions in this regard?

Yes. Under the Corporation Law, directors and officers must exercise their powers to achieve the company's corporate purpose and in the company's interest, while satisfying the requirements of the public good and the social function of the enterprise. This allows, and in some cases requires, management to consider the interests of stakeholders other than shareholders, such as employees, creditors, consumers, communities affected by the company's activities, and the environment, provided that decisions remain consistent with the company's interest and the duties of directors and officers.

Brazilian law does not, however, establish a general stakeholder primacy rule. In listed corporations, stakeholder-related matters are addressed mainly through disclosure obligations. CVM rules require listed companies to disclose information on ESG matters in their reference forms, including information on relevant social and environmental impacts and governance practices. Listed companies must also disclose their position on certain recommended governance practices under the Brazilian Corporate Governance Code, including the board's role in considering the impact of the company's activities on society and the environment, under a comply or explain approach.

4.2. What, if any, is the role of employees in corporate governance?

In general, employees have a limited role in the corporate governance of Brazilian corporations. The Corporation Law allows the bylaws to provide for the participation of an employee representative on the board of directors, chosen by the employees in a direct election organised by the company together with the unions representing its employees. This structure is optional and is not adopted by most corporations.

Federal government-owned or controlled companies with more than 200 employees must have at least one employee representative on the board of directors. The representative is elected by the employees, but may not participate in discussions and decisions involving labour relations, compensation, benefits or other matters that may create a conflict of interest.

4.3 What, if any, is the role of other stakeholders in corporate governance?

Other stakeholders generally have a limited formal role in the corporate governance of Brazilian corporations. Creditors, however, may have certain rights that affect corporate decisions. For example, under the Corporation Law, creditors may oppose a capital reduction in certain circumstances and may challenge mergers that adversely affect their claims. Debenture holders may also have approval rights in mergers, consolidations and spin-offs involving the issuing company, unless they are granted a redemption right within the statutory period.

In addition, significant creditors often negotiate contractual covenants requiring their prior consent for certain corporate actions, such as indebtedness, asset sales, reorganisations or changes of control.

Other stakeholders, such as suppliers, customers, communities and the environment, do not generally have specific approval rights under corporate law. However, the Corporation Law provides that the controlling shareholder must cause the company to fulfil its corporate purpose and social function, and must respect the rights and interests of the company's employees and the community in which it operates.

4.4. What, if any, is the law, regulation and practice concerning corporate social responsibility and similar ESG-related matters?

Brazil does not have a single comprehensive corporate social responsibility ("CSR") or ESG statute applicable to all corporations. CSR and ESG-related matters are addressed through different sources, including corporate law, environmental and labour laws, anti-corruption laws, data protection rules, securities regulation and stock exchange listing standards.

Corporate law requires management and controlling shareholders to observe the company's social function and the interests of employees and affected communities. Listed companies are also subject to increasing ESG-related disclosure obligations under CVM rules.

In practice, listed companies increasingly adopt ESG policies, sustainability reports, codes of conduct, diversity and inclusion initiatives, environmental targets, and compliance programmes. These practices are driven by regulation, investor expectations, access to capital, reputational concerns and B3 corporate governance standards.

5. Transparency and Reporting

5.1. Who is responsible for disclosure and transparency and what is the role of audits and auditors in these matters?

Responsibility for disclosure and transparency is shared by the corporation's management bodies. Directors and officers may be liable for failures to disclose information within their authority or knowledge. Listed corporations must appoint an investor relations officer (director de relacoes com investidores), who is primarily responsible for liaising with investors, the CVM, and the stock exchange, and for disclosing material acts or facts. This appointment does not exclude the potential liability of other directors or officers for breaches of disclosure obligations.

Financial statements are prepared by management and, in listed companies, must comply with CVM accounting rules and be audited by independent auditors registered with the CVM. Large-sized companies or groups of companies under common control, even if not organised as corporations, are also subject to the provisions of the Corporation Law on bookkeeping, preparation of financial statements and mandatory audit by independent auditors registered with the CVM if, in the previous fiscal year, they had total assets exceeding BRL 240 million or annual gross revenues exceeding BRL 300 million.

External auditors assess whether the financial statements comply with applicable accounting standards and issue an audit report, indicating any qualifications or material issues identified. They play an important gatekeeping role in financial reporting, although management remains responsible for the preparation and accuracy of the financial statements. CVM rules also impose independence requirements, restrictions on certain non-audit services and auditor rotation rules. The board of directors, the overseeing committee and, where applicable, the audit committee also play oversight roles in relation to financial reporting, internal controls and the relationship with external auditors.

5.2. What corporate governance-related disclosures are required and are there some disclosures that should be published on websites?

Unlisted corporations must generally publish or make available their annual management report, financial statements, notices and minutes of shareholders' meetings, and minutes of management meetings that are intended to produce effects before third parties. They must also provide shareholders with information required by law, including documents relating to the annual shareholders' meeting. Certain smaller closely held corporations may benefit from simplified publication rules.

Listed corporations are subject to broader periodic and event-based disclosure obligations under CVM rules. Periodic disclosures include annual and quarterly financial information, the annual reference form, corporate governance information and other standardised reports. Event-based disclosures include material facts, notices to the market, shareholders' meeting documents, minutes of shareholders' meetings and certain board meetings, shareholders' agreements, securities trading policies, disclosure policies and other documents required by CVM rules.

The reference form is the main annual disclosure document for listed companies and includes information on the issuer's activities, risk factors, management, compensation, economic group, litigation, related-party transactions, internal controls and ESG-related matters. Listed companies must file required information with the CVM through its electronic system and, depending on the type of information and issuer, also make certain documents available on their own websites and through B3.

5.3. What are the expectations in this jurisdiction regarding ESG-and sustainability-related reporting and transparency?

ESG and sustainability-related disclosure has become increasingly important in Brazil. Listed companies are required to disclose ESG-related information in their annual reference forms, including information on environmental, social and climate-related risks, ESG practices and whether they disclose sustainability reports or follow recognised reporting standards. CVM Resolution No. 80/2022 reflects a "disclose or explain" approach for several ESG-related items.

In addition, CVM Resolution No. 193/2023 requires publicly held companies to prepare and disclose sustainability-related financial information based on ISSB standards for fiscal years beginning on or after 1 January 2026, with voluntary adoption permitted for earlier periods. This is expected to increase the level of comparability, reliability and governance over sustainability-related information disclosed by Brazilian listed companies.

5.4. What are the expectations in this jurisdiction regarding cybersecurity and technology-related reporting and transparency?

Cybersecurity and technology-related risks are increasingly relevant to Brazilian listed companies, especially due to digitalisation, data protection regulation and the potential impact of cyber incidents on operations, reputation and market value.

Brazilian securities regulation does not provide for a standalone cybersecurity reporting regime for listed companies. However, CVM rules require issuers to disclose material risk factors in their annual reference forms, which may include technology, cybersecurity and data protection risks. Cyber incidents may also trigger immediate disclosure obligations if they constitute material facts under CVM Resolution No. 44/2021.

In addition, under the Brazilian General Data Protection Law, data controllers must report relevant security incidents involving personal data to the Brazilian data protection authority and to affected data subjects when the incident may result in significant risk or damage.