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Antonio Gledson de Carvalho

Fundacao Getulio Vargas Sao Paulo School of Business Administration

Humberto Gallucci Netto

Universidade Federal de São Paulo
Escola de Paulista de Política, Economia e Negócios

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A Decade of Corporate Governance in Brazil: 2010-2019

Antonio Gledson de Carvalho[*]
Fundação Getulio Vargas
School of Business at São Paulo

Humberto Gallucci Netto**
Universidade Federal de São Paulo
Escola de Paulista de Política, Economia e Negócios

Abstract: *We show that overall corporate governance (CG) level improved significantly between 2010 and 2019. Such improvement has two sources: the increase in the proportion of high-standard listings (Novo Mercado and Nivel 2, NMN2) vis-à-vis low-standard listings (Nivel 1 and regular market, N1R), and the improvement in CG practices. Between 2010 and 2015, firms improved CG practices considerably in all of its aspects. Improvement between 2015 and 2019 was mostly due to the rise of NMN2. Improvements were stronger for Board Procedures and Disclosure. Firms in both listings improved their CG. However, improvement in N1R was weaker than in NMN2.*

Keywords: Brazil, corporate governance, boards of directors, minority shareholders, disclosure

JEL codes: G18, G30, G34, G39, K22, K29

[*] FGV-EAESP, R. Itapeva, 474, 8º andar, São Paulo, SP, 01332-000, Brasil. Email: gledson.carvalho@fgv.br. Tel: (5511) 3799-7767. [**]UNIFESP, Av. Angélica, 100, sala 311, Osasco, SP, 06110-295, Brazil, humberto.gallucci@unifesp.br. Tel (5511) 2284-6915.

1 – Introduction

This article provides an overview of the evolution of corporate governance (CG) in Brazil, in the past decade. Since the turn of the century, the government and many private institutions adopted several measures to promote CG. In 2009, the Brazilian Security and Exchange Comission (Comissão de Valores Mobiliários, CVM) created a mandatory CG reporting system (*formulário de referência*). This reporting system allows one to track the evolution of CG in Brazil.[1]

We show that CG improved significantly between 2010 and 2019. This improvement has two components: firms adjusting their CG practices and increase in the proportion of high-standard listings (Novo Mercado and Nivel 2, NMN2) vis-à-vis low-standard listings (Nivel 1 and regular market, N1R). Between 2010 and 2015, both components were relevant. From 2016 to 2019, CG improvement was mostly due to new listings in NMN2, and delisting in N1R. CG improved in all of its aspects. Improvements were stronger for Board Procedures and Disclosure. Firms in both types of listing improved their CG. However, improvement in N1R was weaker than in NMN2.

This article is structured as follows. Section 2 presents a historic overview of CG in Brazil. Section 3 describes our indices. Section 3 presents our results.

2 – History of Corporate Governance in Brazil

In the 20th century, Brazilian financial markets were heavily regulated. Brazil adopted its first Corporations Law only in 1940. The government ran the stock exchanges. Brokers were civil servants, who had the exclusive right to trade shares on the exchanges, and could pass this right on to their children. Government rules specified the number of brokers in each area, as well as brokerage fees.

The first modernization wave began in the 1960s. In 1965, the government approved the first law to regulate capital markets and securities offerings (Law 4728/65). The Brazilian securities commission (Comissão de Valores Mobiliários, CVM) was created in 1976 (Law

[1] Most studies on Brazilian corporate governance we based on surveys that had limited coverage (e.g., Black et al. 2010, 2012 and 2014).

6385/76). A new Corporations Law, also enacted in 1976, established separate rules for closely held and public corporations (Law 6.404/76). These reforms eliminated the old civil servant brokers and permitted private stock exchanges and broker-dealers to emerge.

During the 1970s and 1980s, the government took several steps to encourage stock market development. It granted tax incentives to firms that went public, and to investors who purchased shares in public companies. Furthermore, it required pension funds and insurance companies to invest a minimum percentage of their assets in public traded shares. To allow companies to issue shares without risking loss of corporate control, the Corporate Law was amended (6404/1976) to allow non-voting shares up to the limit of 66% of the capital. Thus, with only 17% of the equity (50% of the voting shares) it is possible to keep control. By the end of the 1980s, there were almost 600 publicly traded companies, but a significant number of them went public only to capture the tax incentives, and had no interest in having a basis of shareholders or active trading on their shares.

In the late 1980s, the tax incentives to go public were eliminated. Since then, many of the firms that went public during the period of tax incentives have returned to private ownership. However, as the controlling groups of many firms did not have cash availability to take them private, many of them still remain listed. Meanwhile, in the 1980s, the Rio de Janeiro Stock Exchange collapsed, leaving the Sao Paulo Stock Exchange, Bovespa, as the principal share trading market. The remaining exchanges merged into Bovespa in 2000.

The 1990s was a period of intense changes: stabilization of inflation at acceptable levels; international trade liberalization; permission for international investor to trade in the Brazilian stock markets; and large-scale privatization. By the end of the 1990s, a large fraction of share trading were from privatized companies. To maximize the proceeds from the sale of control, the government sponsored a change in the corporate law (Law 9457/1997) to remove tag along rights in the change of control (granted in Law 6385/1976). Privatization and globalization brought not only size to the stock market, but also sophisticated international investors that demanded good CG and denounced abuses to minority investors. The control groups that acquired the privatized companies were in most of cases syndicates of international and local institutional investors. As consequence, local institutional investors started to have an active participation as stockholders, also demanding good CG.

In the 1990s, many large Brazilian firms cross-listed on the New York Stock Exchange (NYSE), and a significant portion of trading moved to the NYSE. Cross-listed firms had to adjust their governance to NYSE standards. However, privatizations aside, there were almost no IPOs, and the number of public firms shrank.

Following the perception that it was necessary to adjust Brazilian CG standards, many initiatives succeeded. The Brazilian Institute for Corporate Governance (Instituto Brasileiro de Governança Corporativa, IBGC) was created in 1995. IBGC released its first Code on the Best Practices of CG in 1999. In 2000, in response to concern about weak protection for minority shareholders (including extensive use of non-voting shares, few outside directors, and low levels of disclosure), Bovespa created three high-governance markets[2] (Novo Mercado, Level I and Level II). This contributed to a surge in initial public offerings, which had been nearly nonexistent until 2004 (De Carvalho and Pennacchi, 2012).

CVM issued its own Recommendations on CG in 2002. However these were pure recommendations (not a *comply or explain* regime). In 2001, there was a reform of corporate law (Law 10.303/2001). However, it was timid. For instance, tag along rights, removed in 1997, were only partially restored. In 2009, CVM enacted mandatory reporting on CG practices (*formulário de referência*). In 2010, international financial reporting standards (IFRS) became mandatory. The option of voting by mail became mandatory in 2016 (ICVM 561/2015). In 2017, CVM finally issued a comply or explain code (ICVM 586/2017). However, it is mandatory only for firms for which the shares are part of the main stock indices (IBOVESPA and IBX 100).

2 – Corporate Governance indices

To compute CG indices (CGIs), we follow the methodology established by Black et al. (2010, 2014, and 2017). We build four CGI covering Board Structure, Board Procedures, Minority Shareholder Rights, and Disclosure (we refer to these four indices as subindices). We also calculate an overall Brazil Corporate Governance Index (BCGI) as the average of the four subindices. Each subindex is calculated as the average of binary CG elements (coded

[2] De Carvalho (2000) and (2002) describe the creation of these listings.

as "1" if a firm has the attribute and "0" otherwise). A specific CG element is used only if (i) it is objectively measurable and publicly available in the FRs (*formulários de referência*); (ii) it is often believed to correspond to good CG, sometimes with empirical support, but often not; (iii) it is relevant to CG in light of the Brazilian rules, institutions and practices;[3] (iv) there is reasonably complete data across firms; (v) there is reasonable variation across firms in our sample; and (vi) the element is not too similar to another element.

Our BCGI is very similar, but not identical, to that of Black et al. (2010), (2012), and (2014). Because of the lack of publicly available CG data at the time they conducted their studies, they used surveys to collect information. In contrast, we use only publicly available data. By doing so, we increase the sample at the cost limiting our analysis to data covered in the FRs. The main difference between our indices and theirs concerns disclosure. Elements related to the use of international GAAP and consolidated financial statements lost meaning after their universalization in 2009 and 2010. We also omit subindices for control of related-party transactions (RPT) and ownership structure. Their RPT subindex consists mostly of the procedures that firms use to approve RPTs and their disclosure. As FRs do not include RPT approval rules and the disclosure of RPTs became mandatory, their RPT index became meaningless. The use of ownership structure index is uncommon in the literature.

Our CG subindices are composed of 25 firm attributes covering four principal aspects (Table 1 lists all CG elements).

Board Structure comprises 7 elements. The role of the board of directors, in terms of CG, is to reduce agency problems inherent in organization and to improve decision-making (Hermalin and Weisbach, 2003; Hossain et al., 2001; and Dahya et al., 2008). Board Structure comprises two dimensions: board independence and board committees. Board Independence subindex comprises 4 elements, focusing on director independence and separation of the posts of CEO and board chairman. Audit committees, in turn, predict the integrity and quality of financial reporting available to the market (Klein, 2002). However, in Brazil, fiscal boards frequently replace audit committees (Black et al., 2010). The Board Committees subindex

[3] This involves some personal judgment in the choice of the element.

comprises 3 elements, focusing on the existence of the audit committee and fiscal board, and whether these organs include a minority shareholder representative.

Board Procedures includes 4 elements. Board procedures are a common component of CG indices (Bhagat et al. 2008). This dimension tracks whether the board regularly evaluates the CEO and other executives, the existence of a code of ethics and whether the firm has a bylaw governing the board.[4]

Minority Shareholder Rights includes 6 elements: tag along or takeout rights (Nenova, 2003 shows that in Brazil tag along is an important instrument for the protection of minority shareholders); minimum free float of 25% of outstanding shares (shares not held by the controlling group); shareholders' rights for the election of directors; preemptive rights; freezeout rights; and use of arbitration to solve disputes with minority shareholders.[5]

Disclosure consists of 8 elements. Several researchers emphasize that disclosure is directly related to market value (Klaper and Love, 2004; Durnev and Kim, 2005; Black et al. 2014 and 2020). This dimension includes, among other elements, whether the firm prepares financial statements in English, provides structured management reports, and posts financial statements on the company's website. It also tracks whether the auditor provides other services besides auditing, and is a Big-Four auditing firm.[6]

Within each subindex, all elements have the same weight. Thus, to compute the Board Structure subindex, we sum all 7 elements, and then divide by 7 and multiply by 100. If a firm has a value missing for a particular element, we use its average score for the non-missing values to compute each index. To calculate BCGI, we sum the indices and divide by 4 (the number of indices). Thus, BCGI and its subindices run from 0 to 100.

3 – Evolution of corporate governance

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[4] Compared to Black et al, 2010, the Board Procedures subindex lost two elements that are not available from the FRs: *the company had more than four face-to-face meetings during the year*, and *the board receives data and information before the meetings*.

[5] Compared to Black et al, 2010, Minority Shareholder Rights lost one element: *minority shareholders elect a director.*

[6] Compared to Black et al, 2010, Disclosure lost 5 elements that became mandatory: *related party transactions disclosed to shareholders*; *firm discloses direct and indirect 5% holders*; *financial statements in IAS or US GAAP*; *financial statements are consolidated*; and *financial statements include statement of cash flows*. However, an element considering *Big-four auditing* was added.

3.1 – Evolution of overall corporate governance

Table 1, Panel A shows the evolution of BCGI and its sub-indices over 2010–2019. The average of BCGI in 2010 was 45 points. It consistently increased until 2019 when it reached 61 points. Thus, over the whole period BCGI increased by 16 points.

One should be cautious when interpreting the improvement in CG because along this decade. Besides firms adjusting their CG, there was also a substitution of firms: some firms went public and some delisted. If new listing present better CG standards than the average and delisting worse standards than the average, the improvement in BCGI could be due to the substitution of firms. Thus, the improvement in BCGI has two components. The first one is firms changing their practices, and the second one is the substitution of firm (survivorship bias).

First we investigate firms changing their CG. To do so, we isolate the survivorship bias, by calculating BCGI over the set of firms listed both in 2010 and 2019. This is in Table 2, Panel A. The pattern of improvement that emerges is quite distinct from the one that we described in the previous paragraph. In 2010, the average of BCGI was 48 points. It consistently increased by 2 points a year until it reached 60 points in 2015. From there on, it remained almost unchanged, reaching 61 points in 2019. Thus, over the whole decade, the improvement in BCGI due to firms changing their CG was 13 points.

The adjustment in CG was not uniform across firms. The improvement was stronger for firms in NMN2 (Table 1, Panel B) vis-à-vis N1R (Table 1, Panel C). For both groups the time patter of evolution is similar: consistent improvement between 2010 and 2015 and stability between 2016 and 2019. For firms listed in NMN2, BCGI went from 64 in 2010 to 78 points in 2015, and 79 points in 2019. For firms listed in N1-Regular, BCGI went from 37 points in 2010 to 45 points in 2015, and 47 points in 2019. The average score of BCGI the end of 2019 for N1-Regular (47 points) was still significantly lower than it was for NMN2 in 2010 (64 points). As the improvement was stronger for NMN2 than for N1R (15 vs. 10 points), the edge in CG between the two group of firms increased. Once again, we controlled for survivorship bias (Table 2). However, the values in Panels A and B of Tables 1 and 2 are very similar, indicating that survivorship bias plays no role in the description above.

The second component is the increasing of BGGI is the rise of NM-N2 vis-à-vis N1-Regular. Over the decade, the number of firms in NMN2 increased from 136 to 166 (Table 1, Panel B). In opposite fashion, the number of listings in N1R decreased from 234 to 165 (Panel C). Consequently, over the decade, the proportion of listings in NMN2 increased from 37% (136/370) to 50% (166/331), driving an increase in BCGI for the overall market. Thus, one can decompose the 16 points increase in BCGI from 2010 to 2019 into two fractions: 13 points for average increase in CG (from paragraph above) and 3 points for the relative increase of high-CG listings.

One should note that the number of firms listed in N1R shrank considerably between 2010 and 2017, from 234 to 165 firms. However, the numbers in Panel C of Tables 1 and Panel C of Table 2 are very similar, suggesting that survivorship bias does not drive the improvement of BCGI in N1R. Thus, is not the case that the firms that delisted had worse CG than those that remained.

A final note concerns the dynamic of improvement in CG. We report that BCGI increased consistently between 2010 and 2015 and then became stable. Black et al. (2012) found a similar pattern during the first decade of the century in Brazil. They had survey data for 2004, 2006 and 2009. They report that their overall CG index improved sharply between 2004 and 2006, from 52 to 62 points. However, between 2006 and 2009, it increased by only one point. A similar pattern occurred in Turkey (Ararat, et al. 2017). From 2006 to 2011, their index increased by only 5 points (from 42 to 47). However, from 2011 to 2012 it increased by 16 points (from 47 to 63). Thus, the evidence of this article, along with that of Black et al (2014) and Ararat et al. (2017), suggest that CG do not improve uniformly over time, but rather in waves.

3.2 – Evolution of individual aspects of corporate governance

The overall picture is of significant improvement in all aspects of CG (subindices). Table 1, Panel A provide a picture of the evolution of CG practices over our sample period. Board structure increased by 15 points: from 37 to 52; Board Procedures, 20 points: from 36 to 56; Shareholder Rights, 10 points: from 51 to 61; and Disclosure, 17 points, from 57 to 74. The two subindices of Board structure presented similar evolution: Board Independence increased by 16 points: from 36 to 52; and Board Committees, 14 points: from 38 to 52. As usual, the picture changes if one removes the survivorship bias (Table 2, Panel A). Even though, the improvement in each subindex is similar, the dynamic is the same as for BCGI: consistent improvement between 2010 and 2015 and stability between 2016 and 2019.

The evolution of CG is not uniform across NMN2 and N1R. In NMN2 (Table 1, Panel B), the improvement in most indices over the whole period was strong. Board Structure index increased by 18 points: from 54 to 72; Board Procedures, 23 points: from 49 to 72; and Disclosure, 14 points, from 71 to 85. The two subindices of Board structure presented similar evolution: Board Independence increased by 15 points: from 63 to 78; and Board Committees, 21 points: from 45 to 66. The exception was Shareholders Rights that increased by only 3 points: from 82 to 85. However, this had to be so because this index score was already close to its maximum (seen that most of its components are mandatory for these listings), living little room for improvement. Table 2, Panel B removes the survivorship bias: the results numbers change only marginally.

In N1R (Table 1, Panel C), CG practices also improved consistently over the whole period. However, improvement was weaker than in NMN2, even though they started from lower values. The two subindices for which there was strong improvement were Board Procedures, 15 points: from 31 to 46; and Disclosure, 14 points: from 51 to 66. Board Structure and its sub-indices improved by nearly 7 to 8 points each. Shareholders Rights index almost remained constant at very low level (35 to 39 points). Control for survivorship bias (Table 1, Panel C) only marginally changes these values.

4 – Conclusion

After more than two decades since the first studies on CG at the firm level, still very little is known about how CG evolves over time. The Brazilian system of disclosure on CG practices allows for the tracking of CG over time. Using this rich data, we describe how CG practices in Brazil evolved over 2010-2019. we find that firms do not adjust their CG continuously: adjustment was strong between 2010-2015, but CG was mostly stable between 2015-2019. Furthermore, adjustment is not uniform across firms. Improvement in CG for firms listed in NMN2 was considerably stronger than for firm listed in N1R. In fact, some firms do not adjust their CG at all, even if it is poor.

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Table 1: Governance Indices: evolution

Description and averages of corporate governance elements used in the Brazilian indices, from 2010 to 2019. All averages are in the [0,100] interval, where zero (100) represents very bad (good) corporate governance.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Panel A: All Firms										
BCGI	45	48	51	53	56	57	57	59	60	61
Board Structure	37	40	41	43	45	46	47	49	51	52
Board independence subindex	*36*	*39*	*40*	*42*	*45*	*46*	*47*	*49*	*50*	*52*
Audit committee and fiscal board subindex	*38*	*40*	*42*	*44*	*46*	*47*	*47*	*50*	*51*	*52*
Board Procedures	36	41	46	49	52	52	53	55	56	56
Investors Rights	51	52	53	55	56	57	57	59	60	61
Disclosure	57	61	63	65	69	71	72	73	74	74
Panel B: Novo Mercado & Nível 2										
BCGI	64	67	71	73	75	77	78	78	78	78
Board Structure	54	57	61	64	66	68	69	70	71	72
Board independence subindex	*63*	*65*	*67*	*71*	*74*	*76*	*77*	*77*	*77*	*78*
Audit committee and fiscal board subindex	*45*	*50*	*54*	*57*	*59*	*61*	*61*	*63*	*65*	*66*
Board Procedures	49	56	63	68	70	71	71	72	72	72
Investors Rights	82	82	83	83	84	85	85	85	85	85
Disclosure	71	74	75	77	81	85	85	85	85	85
Number of firms	136	149	151	148	149	141	142	145	167	166
Panel C: Nível 1 & Regular										
BCGI	37	39	40	42	44	45	45	47	47	47
Board Structure	31	32	32	33	35	35	36	38	37	38
Board independence subindex	*24*	*25*	*25*	*25*	*28*	*28*	*29*	*30*	*31*	*32*
Audit committee and fiscal board subindex	*38*	*39*	*39*	*41*	*42*	*42*	*43*	*45*	*44*	*45*
Board Procedures	31	35	37	39	42	42	43	45	46	46
Investors Rights	35	35	35	37	38	38	37	38	38	39
Disclosure	51	54	55	59	62	63	64	65	66	67
Number of firms	234	227	214	203	190	181	176	165	168	165

Table 2 Governance Indices: evolution (removing survivorship bias)

Description and averages of corporate governance elements used in the Brazilian indices, from 2010 to 2019. All averages are in the [0,1] interval, where zero (1) represents very bad (good) corporate governance.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Panel A: All Firms										
BCGI	48	52	54	56	58	60	60	61	61	61
Board Structure	41	44	46	48	50	51	52	53	53	53
Board independence subindex	*41*	*43*	*44*	*46*	*48*	*50*	*50*	*52*	*52*	*52*
Audit committee and fiscal board subindex	*42*	*45*	*47*	*50*	*51*	*52*	*53*	*54*	*54*	*55*
Board Procedures	38	44	49	52	54	56	57	58	58	58
Investors Rights	54	55	55	57	58	59	59	60	60	60
Disclosure	60	63	64	68	71	74	74	74	75	75
Panel B: Novo Mercado & Nível 2										
BCGI	64	68	71	74	76	78	78	79	79	79
Board Structure	54	58	62	65	67	69	70	71	71	71
Board independence subindex	*63*	*66*	*68*	*72*	*75*	*76*	*77*	*77*	*76*	*76*
Audit committee and fiscal board subindex	*44*	*51*	*55*	*57*	*60*	*62*	*63*	*65*	*66*	*66*
Board Procedures	48	57	65	69	71	73	73	73	74	74
Investors Rights	82	82	83	83	84	86	86	85	85	85
Disclosure	72	74	76	78	82	85	85	85	85	85
Number of firms	122	126	128	130	131	130	131	135	134	134
Panel C: Nível 1 & Regular										
BCGI	37	40	41	43	44	45	46	47	47	47
Board Structure	33	34	34	35	35	36	37	38	37	38
Board independence subindex	*25*	*26*	*26*	*26*	*27*	*29*	*29*	*31*	*31*	*31*
Audit committee and fiscal board subindex	*41*	*41*	*41*	*43*	*44*	*44*	*45*	*46*	*44*	*45*
Board Procedures	31	35	38	39	41	42	44	45	45	45
Investors Rights	34	35	35	37	37	38	37	38	38	38
Disclosure	51	55	56	60	63	64	65	65	66	66
Number of firms	174	170	168	166	165	166	163	161	162	162

Table 3. Description of indices and evolution of elements
Panel A: Novo Mercado and Nivel 2 listings

Description of indices and their elements, and average for each element. Each component assumes either value 100 if criterion is satisfied or zero, otherwise

		Mean									
	Board Independence Subindex	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
BdIn.1	Board includes one or more independent directors	100	100	100	100	100	100	100	100	100	100
BdIn.2	Board has at least 30% independent directors	55	55	57	59	64	69	70	71	69	71
BdIn.3	Board has at least 50% independent directors	29	30	30	32	35	38	39	41	43	46
BdIn.4	CEO is NOT chairman of the board	76	82	85	95	99	98	99	99	98	98
	Audit Committee and Fiscal Board Subindex										
BdCm.1	Audit committee exists	38	38	42	46	48	50	52	53	57	58
BdCm.2	Permanent or near-permanent fiscal board exists	57	64	66	69	72	74	73	81	83	84
not in the index	Either BdCm.1 or BdCm.2	74	79	81	86	88	89	89	92	92	92
BdCm3	Company has either permanent fiscal board or audit committee which includes minority shareholder representative	40	49	54	56	56	59	58	57	55	57
	Board Procedure Index										
Pr.1	Firm has system to evaluate CEO performance	57	62	68	71	74	74	73	73	73	73
Pr.2	Firm has system to evaluate other executives	30	33	36	39	40	40	40	42	44	44
Pr.3	Firm has code of ethics	45	57	75	82	85	87	89	89	88	88
Pr.4	Specific bylaw to govern board	62	72	75	80	81	82	81	82	83	84
	Minority Shareholder Rights Index										
Sh.1	Annual election of all directors	23	22	23	23	26	28	28	28	28	27
Sh.3	Freezeout offer to minority shareholders based on shares' economic value	100	100	100	100	100	100	100	100	100	100
Sh.4	Takeout rights on sale of control exceed legal minimum	100	100	100	100	100	100	100	100	100	100
Sh.5	Arbitration of disputes with shareholders	100	100	100	100	100	100	100	100	100	100
Sh.6	Firm has no authorized capital or provides preemptive rights	68	72	72	73	79	84	85	85	85	85
Sh.7	Free float ≥ 25 % of total shares	100	100	100	100	100	100	100	100	100	100
	Disclosure Index										
Di.1	Management has regular meetings with analysts	89	87	87	89	89	91	90	90	90	90
Di.2	Firm discloses annual agenda of corporate events	100	100	100	100	100	100	100	100	100	100
Di.3	English language financial statements	100	100	100	100	100	100	100	100	100	100
Di.4	MD&A discussion in financial statements	100	100	100	100	100	100	100	100	100	100
Di.5	Annual financial statements on firm website	90	93	94	96	96	98	98	98	98	98
Di.6	Quarterly financial statements on firm website	90	93	97	99	99	100	100	100	100	100
Di.7	Auditor does not provide non-audit services	77	77	81	80	81	84	83	83	85	85
Di.8	Big four auditor	87	94	93	94	93	94	94	93	94	94
Di.9	Disclosure of executive compensation	29	38	38	37	68	96	96	96	97	97

Table 3. Description of indices and evolution of elements
Panel B: Nivel 1 and Regular listings

Description of indices and their elements, and average for each element. Each component assumes either value 100 if criterion is satisfied or zero, otherwise

		Mean									
	Board Independence Subindex	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
BdIn.1	Board includes one or more independent directors	19	19	19	20	24	24	26	26	27	28
BdIn.2	Board has at least 30% independent directors	9	8	8	8	12	14	15	18	18	19
BdIn.3	Board has at least 50% independent directors	4	3	2	4	6	7	7	8	11	11
BdIn.4	CEO is NOT chairman of the board	65	71	71	70	69	70	68	69	68	68
	Audit Committee and Fiscal Board Subindex										
BdCm.1	Audit committee exists	17	16	17	18	20	22	23	26	24	28
BdCm.2	Permanent or near-permanent fiscal board exists	61	62	62	61	62	61	60	64	67	67
not in the index	Either BdCm.1 or BdCm.2	65	66	66	66	66	66	65	67	69	69
BdCm3	Company has either permanent fiscal board or audit committee which includes minority shareholder representative	38	38	39	43	46	43	46	47	40	41
	Board Procedure Index										
Pr.1	Firm has system to evaluate CEO performance	34	37	39	39	40	42	41	43	43	42
Pr.2	Firm has system to evaluate other executives	16	19	20	23	24	28	28	30	30	30
Pr.3	Firm has code of ethics	30	31	36	38	42	40	40	41	41	42
Pr.4	Specific bylaw to govern board	44	52	54	57	61	60	63	67	68	68
	Minority Shareholder Rights Index										
Sh.1	Annual election of all directors	28	25	25	26	28	28	28	29	29	28
Sh.3	Freezeout offer to minority shareholders based on shares' economic value	31	32	33	33	34	33	32	32	31	32
Sh.4	Takeout rights on sale of control exceed legal minimum	15	17	18	19	19	19	19	21	22	22
Sh.5	Arbitration of disputes with shareholders	14	15	15	16	15	14	14	15	16	17
Sh.6	Firm has no authorized capital or provides preemptive rights	71	73	71	73	77	78	78	78	79	79
Sh.7	Free float ≥ 25 % of total shares	52	48	51	55	56	54	51	54	54	54
	Disclosure Index										
Di.1	Management has regular meetings with analysts	24	26	24	25	26	26	26	27	27	28
Di.2	Firm discloses annual agenda of corporate events	44	46	47	45	44	43	43	43	48	49
Di.3	English language financial statements	32	31	32	34	34	34	34	36	38	38
Di.4	MD&A discussion in financial statements	46	51	56	72	78	75	77	80	80	80
Di.5	Annual financial statements on firm website	46	51	56	72	78	75	77	80	80	80
Di.6	Quarterly financial statements on firm website	74	78	84	89	91	93	92	96	95	96
Di.7	Auditor does not provide non-audit services	71	79	82	89	91	92	92	95	93	95
Di.8	Big four auditor	84	87	87	88	90	91	91	93	93	94
Di.9	Disclosure of executive compensation	62	66	64	63	63	61	61	62	63	62