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Para: SRE
Cc: RI-Voting; Esch, Michiel van; Costa-Bulthuis, Daniela da
Assunto: Public consultation on the review of the Novo Mercado Regulation

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Dear team,

Thank you for providing us the opportunity to give feedback on the proposed changes to the Novo Mercado Regulation. We appreciated previous conversations with B3 via Brazilian governance platform Amec and want to underline our earlier comments via this consultation response.

We believe that more sustainable corporate behavior results in an improved risk return profile of our investments, and thus, on behalf of our clients, we use our active ownership efforts to strengthen awareness and approaches towards responsible business conduct. Exercising our stewardship responsibilities is an integral part of Robeco's approach to sustainability investing, aligning with our mission to use research-based, quality-driven processes to produce the best possible results for our clients over the long term.

Overall, we are supportive of the proposed changes and your ambition of advancing the corporate governance standards of this market segment. We believe that strong corporate governance standards are essential to protect the rights and best interests of minority shareholders and ensuring that all shareholders are treated fairly.

Please see below our feedback regarding different items of the consultation. We are mindful of your role in balancing the interests of all stakeholders of these changes, and we hope that this is helpful to you in finalizing the regulations.

Section 2.1 - Novo Mercado Seal "Under Review"

- During our previous conversations, we discussed the effects of the proposed seal on shareholder rights, and more specifically on tag-along rights. We recommend specifying in the rules of the Novo Mercado that tag-along rights will be preserved under this new seal, to avoid arbitration or bad faith from companies in such cases.

Section 2.2

- **2.2.2 Tenure limit for independent directors:** We support the introduction of a maximum tenure of 10 years for independent directors. However, our recommendation would be to set the limit at 12 years, which is the maximum limit mentioned under ICGN Global Governance Principles. We believe that a 12-year limit achieves very similar benefits in incentivizing appropriate board refreshment, while being less restrictive for companies that might have a smaller pool of qualified and independent board candidates to draw from.
- **2.2.3 Minimum number of independent directors:** We are happy to see an ambition to increase the minimum percentage (or number) of independent directors in the composition of the board of directors to 30%. Nevertheless, we believe that a higher threshold would be more appropriate, particularly since the Novo Mercado segment is aimed at promoting the highest standards of corporate governance in Brazil. Board independence is crucial to ensure the objective oversight of key company matters and a fair representation of minority shareholders on the board. Accordingly, we believe that the boards of non-controlled companies should be at least 50% independent, while for controlled companies the proposed threshold increase to 30% would be sufficient. Alternatively, we would also welcome a different threshold where the level of independence of the board should at minimum match the free float of the company. This

would ensure a proportionate representation of minority shareholders by independent members on the board.

- **2.3 Reliability of financial statements:** We support the introduction of the CEO and CFO's responsibility statement and the assessment of the effectiveness of internal control structures. We believe this is a positive step in protecting stakeholders from risks stemming from poor compliance and internal control structures. In addition to the CEO and CFO, we also believe that the fiscal council should be involved in formulating this statement. Generally speaking, we believe that the ultimate responsibility for the oversight of the company's controls should not lie with management, and that the oversight role of the fiscal council should be emphasized.

Section 3.1

- **3.1.1 Statutory audit committee:** We see the proposed requirement for all Novo Mercado listed companies to establish an audit committee very positively. Related to this proposal, we would recommend that remuneration committees also become mandatory for Novo Mercado listed companies, given the importance of their role in ensuring that management is incentivized appropriately and in line with the best interests of shareholders. Additionally, we would welcome the introduction of minimum independence requirements for these two committees, and stronger disclosure requirements for members of board committees that are not part of the board of directors itself.

Question 6 - Clawback

We would strongly support the introduction of mandatory clawback provisions, aligned with the recently implemented requirements by the SEC. The absence of clawback provisions is a prominent concern that we commonly encounter when evaluating executive remuneration policies of Brazilian companies. It is also important to make a distinction between clawback and malus policies, where clawback policies enable companies to recover compensation that was previously awarded/vested, while malus policies concern grants that have not yet vested. We place higher importance on the implementation of clawback policies, as this can protect companies in cases of misconduct by executives or financial restatements that would have otherwise led to lower compensation outcomes.

Question 7 – Integrity Policy

The code of conduct should comprise business ethics principles. Some brief guidelines would include:

- **Internal Purpose:**
 - Clarifies mission, values, and principles;
 - Links them to professional conduct standards;
 - Defines desired behavior for leaders and employees.
- **Employee Support:**
 - Guides day-to-day decision-making;
 - Encourages ethical discussions;
 - Provides a reference for ethics-related resources.
- **External Functions:**
 - Ensures compliance with legislation;
 - Acts as a public statement of commitment;
 - Helps mitigate financial risks associated with ethical misconduct;

In line with such, a company should demand a minimal code of conduct from suppliers too.

Additional Feedback

In addition to the points raised above, we would like to recommend the introduction of mandatory integrated reporting and the establishment of a sustainability policy for companies listed in the Novo Mercado. We believe that these changes would lead to a more transparent and holistic view of companies' strategies, business models, and ability to sustain value creation, and would further incentivize sustainable and socially responsible business practices.

Thank you for your consideration. We are available for further explanations if needed, please let us know.

Kind regards,

Manuel

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