



Amendments related to companies' management in the Brazilian Corporation Law carried out in 2021

Throughout 2021, several amendments were made in the Law No. 6,404, of December 15th, 1976 ("Brazilian Corporation Law") that resulted in the modification of rules related to companies' management, in addition to other corporate matters.

In June 2021, the Supplementary Law No. 182 of 2021 ("Supplementary Law 182/21"), known as the Legal Framework for Startups, was published, with the aim to modernize the business environment in Brazil and influence innovative investments. In August 2021, the Law No. 14,195 of 2021 ("Law 14,195/21") was published, resulting from the conversion process of the Provisional Measure No. 1,040 of 2021 ("MP 1,040/21"), issued by the Federal Government earlier this year, in order to simplify and improve the mechanisms related to companies and investments in Brazil.

In general terms, the main changes made to the rules relating to the management of companies were:

- **Accumulation of positions:** The prohibition for publicly held companies of the accumulation of the position of Chairman of the Board of Directors and the position of Chief Executive Officer or main executive officer of the company was introduced by MP 1.040/21 and established with the publication of Law 14,195/21. The Brazilian Securities and Exchange Commission ("CVM") may issue rule that exempts such prohibition for smaller-sized companies, as provided in article 294-B of the Brazilian Corporation Law (Article 138, paragraphs 3rd and 4th of the Brazilian Corporation Law).
- **Independent Directors:** The Law 14,195/21 extended the mandatory participation of independent directors in the composition of the Board of Directors to

all publicly held companies, under the terms and conditions defined by CVM, which previously was previously applicable only to publicly-held companies listed in the Novo Mercado and Level 2 segments of B3 S.A. - Brasil, Bolsa e Balcão (Article 140, paragraph 2nd, of the Brazilian Corporation Law).

- **Composition of the Board of Officers:** Previously, it was mandatory for the Board of Officers to be composed of at least two members. However, with the publication of the Supplementary Law 182/21, the Board of Officers can be composed of only one member (Article 146, caption, of the Brazilian Corporation Law).
- **Foreigners in the Management:** The Law 14,101 allowed the election of foreign natural individuals to the composition of the Board of Officers, which was previously allowed only for the Board of Directors. In this case, the investiture of the manager residing or domiciled abroad must be subject to the constitution of a representative residing in Brazil, with powers to, at least three (3) years after the end of the manager's term of office, receive: (i) summons in actions filled against such member based on the corporate legislation; and (ii) summons and subpoenas in administrative proceedings filled by CVM, in the case of exercise of management position in a publicly-held company (Article 146, caption and paragraph 2nd, of the Brazilian Corporation Law).

CVM has still not comment on the matters that are assigned to it to issue supplementary instructions.

The full texts of the Supplementary Law 182/21 and the Law 14,195/21 can be accessed through the links below:
http://www.planalto.gov.br/ccivil_03/leis/lcp/Lcp182.htm

http://www.planalto.gov.br/ccivil_03/_ato2019-2022/2021/lei/L14195.htm

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