BRAZIL



Trends and Developments

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Introduction

Over the past few years, Brazil has experienced noticeable growth in shareholders' awareness of and active involvement in corporate governance matters, reflecting a broader global surge in shareholder activism. This article provides:

- an examination of Brazil's evolving shareholders' rights and activism landscape;
- an analysis of the legal framework governing shareholder rights;
- an inventory of the tools available to shareholders; and
- a breakdown of the defensive strategies adopted by companies to address these developments.

It also examines the complexities of the Brazilian regulatory environment, showing how companies and investors navigate and adapt to these evolving regulatory changes.

The Legal Framework for Shareholders' Rights in Brazil

The rights of shareholders in Brazil are primarily regulated by two key pieces of legislation:

- the Brazilian Civil Code (Law No 10,406 of 2002); and
- the Brazilian Corporation Law (Law No 6,404 of 1976).

Collectively, these laws provide a comprehensive framework governing the operations of both public and private companies in Brazil. They outline a wide range of shareholder rights and obligations, including voting rights, dividend entitlements and protection against unfair treatment. Additionally, these laws emphasise the importance of transparency and fairness in corporate governance, aiming to foster a robust and ethical business environment.

Under this legal framework, shareholders have a range of fundamental rights essential to their participation in the company's governance. Among these are the rights to vote at general meetings, receive dividends and oversee management actions. The right to vote is particularly significant as it allows shareholders to influence critical corporate decisions, such as electing board members, approving financial statements and deciding on mergers and acquisitions. By exercising their voting rights, shareholders can play a crucial role in shaping the company's strategic direction and safeguarding their financial interests.

In Brazil, protecting minority shareholders' rights is crucial due to the prevalence of concentrated ownership structures in many Brazilian companies. This ownership dynamic often places minority shareholders at a disadvantage compared to controlling shareholders. In response, Brazilian legislation has established specific mechanisms to safeguard minority shareholders' interests. One prominent mechanism is the "tag-along" right, which grants minority shareholders of publicly traded corporations the right to sell their shares at a minimum price of at least 80% of the price paid to the exiting majority shareholder, in the event of a change in company control.

In addition to the tag-along right, minority shareholders in Brazil can initiate legal actions to defend their individual or collective rights. For instance, shareholders can file liability actions against directors who act in a manner detrimental to the company's interests. This legal recourse provides an essential avenue for minority shareholders to hold management accountable and protect their investment value.

The Rise of Shareholder Activism in Brazil

Although shareholder activism is still in its early stages in Brazil compared to more mature markets such as the United States, it has gained significant traction in recent years. This increase in activism is also driven by a growing awareness of ESG issues, which have become increasingly important to investors worldwide. In Brazil, shareholders use their influence to pressure companies to adopt more sustainable and transparent practices. Through engagement with companies and voting on shareholder resolutions, they contribute to a broader movement toward responsible corporate governance. This trend reflects a shift in investor priorities and a recognition of the importance of sustainable and ethical business practices.

Characteristics of shareholder activism in Brazil

In Brazil, shareholder activism takes various forms, such as participating in general meetings and organis-

ing public campaigns to influence company management. Activist shareholders often aim to bring about strategic changes within the company, such as replacing board members, reevaluating executive compensation policies or adopting more rigorous corporate social responsibility practices.

A recent example of shareholder activism in Brazil is the pressure institutional investors have exerted on large companies to adopt more transparent policies on carbon emissions and other environmental impacts. This type of activism, often led by investment funds with a clear sustainability agenda, has significantly changed how Brazilian companies approach their ESG responsibilities. In many cases, companies have implemented these changes in response to direct shareholder pressure, highlighting activism's growing influence on Brazil's corporate landscape.

The 2026 proxy season further illustrates the growing assertiveness of minority shareholders, with increasing use of mechanisms such as cumulative voting and minority shareholders' separate election of board members, as permitted under the Brazilian Corporation Law.

Recent Activist Campaigns in Brazil

Brazilian asset managers have increasingly adopted activist-shareholder tactics that were previously associated with US hedge funds, such as high-profile short campaigns accompanied by public reports criticising governance practices at target companies. Local funds have pressed for board seats and strategic reviews and engaged in corporate-governance disputes over board accountability and the allocation of corporate resources. These campaigns have expanded the range of institutional-investor engagement beyond private dialogue and conventional voting. Although outcomes vary, activist pressure has, in particular cases, contributed to the replacement of board members, revisions to corporate strategy and extraordinary dividend distributions.

State-Owned Enterprises, Government Influence and Shareholder Rights

Brazilian state-owned enterprises present a distinctive governance challenge: reconciling the State's legitimate policy objectives with the fiduciary expectations of private shareholders investing alongside the government. This tension has intensified as the federal government has oscillated between treating its equity stakes as instruments of industrial policy and managing them as financial assets subject to market discipline.

At a former state-controlled electricity company, privatisation did not fully sever the government's influence. A statutory voting cap limits any shareholder to 10% of total votes, regardless of their economic stake. While intended to prevent the re-concentration of control after privatisation, this cap became central to litigation as the federal government tried to maintain board representation beyond its reduced ownership. Courts and regulators were called upon to interpret the boundaries of legitimate shareholder engagement versus improper political interference, illustrating how judicial activism can become a governance battleground when institutional checks are contested. At a major Brazilian oil company, where the State remains the controlling shareholder, the conflict has centred on capital allocation: minority investors have pressed for predictable, rules-based dividend policies, while the government has prioritised strategic investments aligned with broader industrial and energy-security objectives. Institutional investors have responded with coordinated engagement, proxy voting and public statements demanding adherence to the company's dividend policy, effectively using the toolkit of shareholder activism to constrain State discretion.

Comparative Analysis: Brazil v Other Markets

While shareholder activism is increasing in Brazil, it still faces significant challenges, especially when compared to more developed markets such as the United States. In the USA, shareholder activism is well established, with major hedge funds and other institutional investors frequently spearheading campaigns to influence company management. These efforts often succeed in driving changes in corporate strategy, governance and operations.

In contrast, the corporate culture in Brazil remains relatively conservative, characterised by traditional business practices and decision-making processes. Shareholders, particularly those holding minority stakes, encounter substantial hurdles when attempt-

ing to exert significant influence within companies. This is primarily due to the prevalent concentrated ownership structure, where a small number of large controlling blocks hold substantial sway over corporate decision-making. As a result, minority shareholders often struggle to form alliances and coalitions, which limits their ability to launch activist campaigns and drive meaningful change in the companies in which they have invested.

Despite these challenges, there are signs that shareholder activism in Brazil is on the rise. The increasing importance of ESG practices, coupled with pressure from international investors, is driving a shift in the Brazilian corporate landscape. As more companies recognise the value of engaging with their shareholders and addressing their concerns, shareholder activism will likely become a more prominent feature of the Brazilian market.

A notable divergence between the two markets has emerged in the ESG arena. In the United States, the 2023–2026 period witnessed a significant backlash against ESG-focused activism, with several states enacting anti-ESG legislation restricting pension funds from considering non-financial factors and major asset managers scaling back their support for environmental and social shareholder proposals. In Brazil, by contrast, the regulatory trajectory moved in the opposite direction, with the Brazilian Securities and Exchange Commission adopting sustainability reporting aligned with the ISSB/IFRS S1 and S2 standards, in a "comply or explain" model.

Tools and Strategies for Shareholder Activism

For shareholders to engage effectively in activism, they must have a thorough understanding of the legal tools and strategies available to them in Brazil. The country's corporate governance framework offers a range of mechanisms that empower shareholders to influence corporate decisions. These mechanisms include, but are not limited to, voting rights, shareholder resolutions and engagement with company management. However, the effectiveness of these tools can depend on factors such as the extent of shareholding, support from other investors and the regulatory environment. Therefore, shareholders must carefully assess these factors when considering their activist initiatives in the Brazilian market.

Suggesting actions at general meetings

One key method shareholders in Brazil use to advocate for their interests is to propose actions or resolutions at general meetings. Any shareholder may use this avenue, provided they meet the deadlines and requirements set by law and the company's bylaws. This mechanism is especially beneficial for minority shareholders who want to raise concerns that management may not prioritise.

For instance, shareholders focused on improving corporate governance may introduce resolutions to implement stricter transparency policies or reevaluate executive compensation practices. Even if these proposals do not pass, they can pressure management and bring crucial issues to fellow shareholders' attention. This form of activism can be particularly effective in highlighting governance issues and compelling companies to reevaluate their practices.

Calling extraordinary general meetings

Shareholders who own at least 5% of a company's share capital are entitled to exercise their right to request the convening of an extraordinary general meeting (EGM). This meeting allows them to address specific issues that they believe require urgent attention or are not being adequately handled by the company's management. The EGM is a powerful tool for shareholders to voice concerns and act when they feel the company's best interests are at stake.

One common scenario where this right is exercised is when activist shareholders use the EGM to advocate for the replacement of certain board members or to vote on a merger proposal that they deem unfavourable. By leveraging the EGM mechanism, shareholders can exert significant pressure on management and influence decision-making in ways that align with their interests, ultimately bringing about changes they believe are necessary for the company's welfare.

Proxy voting

Recent legislative changes and regulatory developments that may encourage shareholder activism include the introduction of proxy voting. The Brazilian

Securities and Exchange Commission (*Comissão de Valores Mobiliários* or CVM) has implemented regulations facilitating proxy voting, making it easier for shareholders who cannot attend in-person meetings to participate and vote.

This trend gained further momentum in 2026, when the distance voting tool was integrated into B3's mobile application, allowing shareholders to cast their votes at general meetings directly from their phones, without attending in person or granting proxies. This integration is expected to broaden participation, particularly among retail investors, whose engagement in corporate votes has been steadily increasing and who now represent a relevant constituency for activist campaigns. In this context, B3 data indicate that the number of individual investors participating in general meetings through the distance voting system (*Boletim de Voto a Distância* – BVD) has increased sharply in recent years. For activist campaigns, this development is particularly significant: by lowering the practical costs of participation and coordination, BVD reduces the collective-action barriers that have historically constrained minority shareholders' ability to mobilise around a common position.

Litigation and Corporate Arbitration as an Activism Mechanism

Litigation and arbitration have become increasingly important channels for shareholder activism. The number of new proceedings before the Market Arbitration Chamber (*Câmara de Arbitragem do Mercado* – CAM-B3) has grown consistently, with disputes addressing tag-along rights, abuse of controlling power and conflicts arising from shareholders' agreements. For activist investors, CAM-B3 provides a forum to convert governance grievances into enforceable claims, particularly where direct voting power is insufficient to change the company's conduct.

Minority shareholders may also use derivative actions to hold directors and officers accountable. These mechanisms allow claims to be pursued in the company's interest where alleged misconduct has caused corporate harm, while preserving the distinction between actions brought by the company and those brought by shareholders when the company does not act. Their practical value is greatest when a controlling shareholder or board majority would otherwise prevent the corporation from pursuing relief.

Regulatory Challenges and the Need for Reform

Despite the escalating prevalence of shareholder activism in Brazil, activists encounter substantial regulatory challenges. While Brazilian legislation has made significant advances in some areas, it still imposes barriers that impede the full exercise of shareholder rights, particularly for minority shareholders.

Costs and complexity of activist campaigns

One of the main challenges activist shareholders face in Brazil is the high cost and complexity of organising impactful campaigns. The country's legislation imposes a series of formal requirements for proposing actions and convening meetings, which can be overwhelming for small investors or groups with limited resources. Additionally, navigating the intricate web of legislation and corporate mechanisms requires a profound level of understanding, presenting a significant barrier, particularly in a country where financial education and investor participation culture are still in development.

Furthermore, many shareholders, especially minority shareholders, may lack access to the resources or knowledge needed to effectively mobilise campaigns. This restriction significantly diminishes the potential for activism in Brazil, as shareholders might be deterred from pursuing their objectives due to the perceived difficulty and expense associated with initiating a campaign.

Nevertheless, investors use social media, virtual forums and proxy solicitation platforms to organise coalitions, influence other shareholders and pressure management. These tools have reduced the cost and complexity of activism, particularly for smaller investors with fewer resources to challenge controlling groups.

Concentrated ownership structure

Brazil's concentrated ownership structure, characterised by the prevalence of large controlling blocks, poses a significant obstacle to shareholder activism. In many Brazilian companies, controlling shareholders hold substantial stakes that give them significant sway

in corporate decision-making, creating barriers for minority shareholders seeking to exercise influence. Consequently, the concentrated power held by controlling shareholders can curtail the efficacy of activist campaigns, as they have the ability to dismiss proposals and resolutions put forth by minority shareholders. However, the ownership structure of Brazilian listed companies is gradually evolving: the proportion of dispersed-ownership companies listed on B3's Novo Mercado segment has grown consistently over the past few years, expanding room for activist strategies more akin to those seen in mature markets.

When controlling shareholders' interests align with those of activist investors or when institutional or international investors apply significant pressure, shareholder activism can be more impactful. For instance, if controlling shareholders recognise the long-term benefits of embracing ESG practices, they may be more open to considering the demands of activists. This alignment can ultimately lead to positive changes within the company.

Need for legal reforms

To overcome these challenges, Brazil must continue to promote legal reforms that facilitate shareholder activism and strengthen the protection of minority shareholders, such as reducing the shareholding thresholds required to propose meetings or measures. This adjustment would effectively empower minority shareholders, making it more feasible to exercise their rights and influence corporate decisions. By lowering these thresholds, a broader spectrum of shareholders would be empowered to actively participate in corporate governance, ultimately bolstering management oversight.

Another important reform is to simplify procedures for obtaining corporate information. By implementing measures that enable shareholders to access essential information quickly and easily, these reforms will foster more informed decision-making and promote greater shareholder activism. Moreover, advocating for greater transparency in corporate operations and governance would break down barriers to active shareholder participation, ensuring that every shareholder, irrespective of their stake, has the opportunity to contribute meaningfully to the company's strategic direction. This commitment to transparency and open communication bolsters shareholder trust and engagement, fostering a more inclusive and accountable corporate environment.

Corporate Defence Mechanisms

As shareholder activism becomes more prevalent in Brazil, companies are developing strategies to protect themselves against activist campaigns. These strategies range from preventive measures to reactive responses, depending on the nature of the activist campaign and the interests at stake.

Governance shielding

One frequently used corporate strategy is "governance shielding," which involves including specific clauses in a company's bylaws. These clauses are intended to restrict shareholders' voting power and impose additional conditions for approving certain measures. By doing so, companies seek to prevent minority shareholders from exerting influence without majority shareholder support.

Despite its widespread use, governance shielding has been subject to criticism. Many argue that it can perpetuate poor governance practices and shield existing management from legitimate challenges. Therefore, companies must navigate a delicate balance, ensuring protection against activist interference while upholding transparent and responsive corporate governance principles. It is incumbent upon companies to carefully monitor governance shielding to avoid its potential misuse as a means of increasing management authority to the detriment of shareholder rights.

Active dialogue with shareholders

Another fundamental strategy for companies is maintaining an active and ongoing dialogue with their shareholders. This involves responding to shareholders' concerns during general meetings, engaging proactively throughout the year, seeking to understand investors' expectations and adjusting corporate practices as needed.

By maintaining open lines of communication with shareholders, companies can anticipate and mitigate potential activist movements before they become public. This proactive engagement can reduce the risk

of confrontations damaging the company's reputation and value. Moreover, by building trust with their shareholders, companies can secure their support during times of crisis, ensuring that they have the backing of their investors when faced with challenging decisions.

Reactive responses to activist campaigns

When an activist campaign is already underway, companies need to be able to respond effectively. This may involve a variety of strategies, from direct negotiation with the activists to mobilising support among other shareholders to defeat activist proposals.

In some cases, it may be prudent for the company to consider embracing some of the activists' demands, particularly if they are poised to yield long-term benefits for the company. For example, if activists advocate for greater transparency or stronger ESG practices, aligning with these requests can strengthen the company's reputation and appeal to a broader investor base.

In other cases, companies may need to adopt a more defensive stance, using all available legal tools to resist the proposed changes. This could involve challenging the legality of the activists' proposals or rallying support from other shareholders to oppose the activists' agenda. Ultimately, the effectiveness of the company's response will depend on its ability to navigate the complex dynamics of shareholder activism and align its strategy with the long-term interests of all shareholders.

Conclusion

Shareholder activism in Brazil has grown notably, aligning with the global trend of increased investor participation in corporate governance. Although the country still faces regulatory and cultural hurdles, the existing legal frameworks and a dynamic governance environment suggest a promising future for advancing shareholders' rights in Brazil. This trend reflects a broader movement toward greater shareholder empowerment and influence over corporate decision-making processes.

In light of the rapidly changing business landscape, companies must adjust to this new reality by implementing defensive strategies and actively engaging with shareholders. The ability to navigate this increasingly dynamic and competitive environment will ensure their resilience and success. Moreover, as shareholder activism advances, the future of corporate governance in Brazil will hinge on the collaborative efforts of shareholders and companies in establishing sustainable value. This will necessitate a delicate balance between the short-term and long-term interests of all parties.

This collaborative approach, supported by ongoing legal reforms and a commitment to transparency, will be key to fostering a robust and vibrant corporate governance landscape in Brazil. The continued growth of shareholder activism, coupled with these legal reforms, will not only enhance corporate accountability but also contribute to the broader development of the Brazilian capital market.