

Employee Representation in the Board of Brazilian SOEs

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8-9 September, 2011

**The 2011 Meeting of the Latin America Network on Corporate Governance of State-Owned
Enterprises**

Introduction

- Law 12.353, 28th December, 2010;
- Ministerial Decree 26, 11th March, 2011, Ministry of Planning, Budget and Management;
- SOEs Bylaws.

Rules for the participation of employees

- The choice of the representative shall be by direct vote of their peers;
- The representative shall be subject to the same criteria and requirements established in law and in their company's bylaws;
- The representative shall be elected from a list of candidates of a political group, having a deputy;
- An electoral commission shall be formed with members of the SOE and its unions;
- This board member may be re-elected once.

Theoretical foundations

- There are theoretical approaches with opposite positions on the participation of employees in Boards;
- The shareholders-oriented model argues that a company is accountable only to their owners;
- For the stakeholder-oriented model, the diversification of the board is encouraged. In this model, other corporations have responsibilities beyond those to shareholders;
- theoretical approach adopted: the interests of shareholders must be balanced with those of stakeholders, because both are equally important for long-term sustainability of companies.

Assumptions for updating the governance practices

- The Central Government remains the majority on the Boards;
- The representative of the employees do not participate in meetings on issues of direct interest to avoid conflict of interests;
- The Board member representative of the employees must be competent and has time for his assignments;
- If executives can not guarantee the confidence of employees, their own performance and shareholder interests will be compromised.

Expected benefits

- Increased plurality of views on the corporate management;
- Greater likelihood of success in major decisions;
- Greater chance of implementing bottom-up policies, and consequent encouragement of innovation;
- Effective implementation of participatory management.

MINISTÉRIO DO PLANEJAMENTO

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Thank you!

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