Report
Dynamo 35

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On Boards of Directors and Board Members

ISS (Institutional Shareholder Services) is a US company that provides advice to institutional investors on their decisions in general shareholders' meetings. A positive recommendation from the ISS, in view of the prominence of its clients, is frequently the deciding factor for the end result, as in the well-known case of the 2002 HP/Compaq merger. These advisory services also extend to shareholders' votes in the election of members to the Board of Directors.

Because the ISS monitors hundreds of companies, there is a tendency for its proposed recommendations to become parametric, thereby circumventing the all too common need for *ad hoc* adjustments. For example, on issues related to the formation and functioning of boards, the ISS recommends that companies form separate compensation and nomination committees (sub-groups of board members focusing on specific matters). It also recommends that all members of the more vital committees and in particular, the audit committee, be comprised only of independent members. Berkshire Hathaway meets none of these criteria. As such, a few years ago the ISS issued a formal recommendation to Berkshire shareholders to the effect that, at the re-election of board, they should vote in favor of all candidates with the exception of Warren Buffett and Charlie Munger.

We remembered this story as we discussed the new Sarbannes-Oxley Law (hereinafter referred to as the *Sarbox Law*) recently enacted in the US. Acording to its criteria, which are not too dissimilar to those of the ISS, Berkshire Hathaway will be deemed non-compliant when this law is regulated by the SEC, which is expected to occur in February 2003. If the ISS' unprecedented recommendation had no impact on Berkshire Hathaway, the *Sarbox* Law most certainly will, particularly with respect to the independence of board members.

As you know, we have been dedicating a considerable amount of time and effort to study corporate governance from a wide-ranging perspective. After the spectacular blow-up of a few important public companies in markets that are more developed than Brazil's, we became particularly interested in learning more about how boards of American companies work. Although this is a typical micro-economy topic, even Alan Greenspan became concerned as he worried about the possible negative macro-economic impacts from the point of view of on optimum allocation of resources. As usual, Greenspan delivered a clear and concise reading of the development of US corporations' governance systems over the last century and last year's crisis in a speech given to the Stern School in New York in March 2002[1].

Alan Greenspan's Analysis

It is Greenspan's view that, since US companies have no controlling shareholders and almost all of their shareholder are investors rather than managers, the task of leading the company to prosper is almost exclusively the CEO's. In theory, it should be the role of the board of directors to monitor the CEO's work in order to satisfy itself that the company is being run to the long term benefit of its shareholders, whose interests they represent. Lastly, it should be incumbent upon the auditors to certify that the balance sheet data presented by the company accurately and satisfactorily reflect its actual financial position.

However, the CEO selects the auditors. And, in practice, the CEO also chooses the members of the board since the major institutional shareholders, who are the true owners of these companies, prefer not to get involved in these matters and rely on the choices of the CEO. This severely undermines the monitoring process. Both the board members and the auditors fear that they will not be re-appointed or re-elected if they create problems for the CEO, even if such action is entirely justifiable and even obligatory if it is to defend the interests of the shareholders (it is a fact, though, that certainly up until the recent cases of Enron, Worldcom/MCI, Adelphia, etc., many board members held a sharply differing view of the scope of their work. In other words, they considered themselves chiefly as consultants to the CEO rather then as representatives of the shareholders[2]).

Usually only when companies are already in really dire straits do the board members take steps. The first of these is to seize the CEO's *carte blanche* and, subsequently, if necessary, his/her dismissal. In other cases, now infrequent, buy-out investors take control of companies with mediocre performance via hostile takeovers and dismiss not only the CEO, but also the entire board. Surprisingly, Greenspan, made a brief but important defense of these takeover deals that were so widely criticized by the US establishment in the late eighties, by stating that they result in a more efficient allocation of capital in the economy.

Greenspan believes that, despite the obvious structural flaws of corporate boards of American companies, the US could not have reached its present level of prosperity if there was any inherent fundamental problem with this governance model, which he calls the CEO paradigm.

His analysis of the reasons leading up to the recent corporate debacles is centered on the fact that the soaring market value of listed US companies throughout the nineties, resulted also in a disproportional increase in opportunities for executives to rapidly and illicitly enrich themselves, as if they had been caught by an infectious greed.

In this context, the popularity of stock-option based remuneration systems further fueled an already excessive short–term focus and encouraged highly aggressive accounting practices. As pointed out above, the agents whose role, in theory, was to restrain or control these offenses, were themselves in conflict and were unable to perform their duties. Or, as Greenspan put it, the avenues along which greed travels on widened excessively.

Clearly, these executive stock-option programs contributed little to align their interests to the long-term interests of company shareholders. Alignment is absolutely basic to any efficient corporate governance system. Some still seek to defend the massive increase in the salaries of US executives arguing that it's a free market and that the salaries of athletes and movie stars also went up considerably. Nevertheless, unlike these last two groups, CEO remuneration packages that included these stock options, are unique in that they were designed and approved by CEO appointed directors, that is, there was never any negotiation..

Perhaps our only demurral to Greenspan's analysis is the fact that he devotes little attention to the fiduciary duty the managers of third party funds must exercise over their voting powers in the companies in which they invest. The highly extolled independence of corporate boards leaves us somewhat bemused when so little is said about the independence of the shareholders. The conflicts of interest to which these fund managers are subject are

(1) *Speech given on March 26, 2002, at the Stern School of Business, New York University, and reproduced in the following site:* http://www.federalreserve.gov/boarddocs/speeches/2002/200203262/default.htm.

(2) *A US survey showed that the main reasons for executives to accept positions on boards is the opportunity to learn and to network.*

Our Performance

This Letter covers the third quarter of 2002. Given the wide scope of its subject matter, there was insufficient space for our comments on performance for the year. Accordingly, we discuss this matter in the Letter covering the fourth quarter, which will be published shortly.

an enormous predicament, but have received minimal attention to date. In a best case scenario, this conflict would involve only the negative impact that a more responsible behavior and voting in shareholder's meetings could bring to the fund managers' portfolio of corporate pension funds (in most companies, it is the CFO who makes the final decision on the asset allocation of the pension fund), in the worst scenario, when the fund manager is part of a financial institution, it could also, very dangerously, include all commercial and investment banking services. This is a very controversial issue in the US and there is currently a heated debate about a possible SEC regulation requiring fund managers to disclose their votes at shareholders' meetings. The industry was so outraged that even arch-rivals like Fidelity and Vanguard agreed to publish a joint article in the Wall Street Journal.

Analyzing Boards

Every crisis engenders and encourages change. Today there is a consensus on the growing importance of corporate boards in the management of US companies. Institutional investors will be increasingly pressured to act as the owners that they actually are, and, in turn, boards will be required to perform their role of defending the interests of the shareholders, which they always had to.

Given these circumstances, it seemed to us that it would be a good investment to learn more about the functioning of US boards of directors. Recently, one of our partners attended a short but highly intensive course on this topic at the Harvard Business School[3]. Although aware that the role of boards in companies with a controlling shareholder differs considerably from that of a dispersed capital corporation, we thought we could gain some valuable knowledge. And, in any case, the trend of ascribing greater importance to boards so as to create an instance that can truly help senior executives is also gaining momentum in Brazil.

Composition of the Board

We never assigned the due importance to the more formal aspects involved in the formation and role of boards of directors. We worked on the principle that the choice of the right individuals would be sufficient to guarantee an efficient corporate board. Although this remains a valid principle, we now firmly believe that good structure and leadership are almost as essential as the choice of a dream team. In many cases it is precisely these factors that attract the right talent.

Another feature common to good boards is diversity of background of their members. One of the main reasons why executives accept an invitation to join a corporate board is the prospect of learning[4], so a group of individuals with multi-disciplinary backgrounds is a major asset. It contributes to the company and also to the board members themselves, enabling them to generate a return for the companies in which they work full time. The recruiting of board members represents an important and rapidly growing area in the headhunting business in the US.

An obvious limitation to joining a board is the demand of time. It is estimated that executives must make available approximately 20 days a year for each board on which they serve. This estimate includes an average of eight annual meetings, at least one of which should take two or three days and usually deals with strategic matters. Each ordinary meeting involves at least a day and a half, since a reasonable portion of the previous day should be dedicated to prepare for the meeting and, in many cases, to travel to the meeting venue. If the board member is also a member of a committee (increasingly inevitable), to be productive he/she will have to set aside two full days for each meeting. Thus, if we add up availability for telephone conferences and extra time to study company's matters, we arrive at the estimated 20 days a year. For this reason, a corporate board should be comprised of a combination of active executives and experienced retirees who have more free time available. Similarly, it is advisable to require that each board member, particularly the active executives, limit their seats to a small number of corporate boards. Lastly, a pre-established set of dates, well planned agenda, and detailed materials sent to each member with sufficient advance notice are essential factors to avoid wasting time during the meetings.

Dynamo Cougar x Ibovespa x FGV-100
Performance up to september/2002 (in R$)

Period	Dynamo Cougar	FGV-100	Ibovespa
60 months	204,49%	92,26%	-27,22%
36 months	107,39%	61,03%	-25,26%
12 months	43,41%	24,92%	-19,32%
6 months	5,28%	-11,32%	-36,01%
3 months	6,38%	-6,58%	-23,55%

NAV/Share on 09/30/2002 = R$ 30,612763

This matter of available time will become increasingly relevant for two reasons. Firstly, because of growing board pressure and the greater investor scrutiny. Secondly because the *Sarbox* Law itself requires at least three committees per corporate board: audit, remuneration, and governance (sometimes referred to as nomination). Each one of these committees must be composed exclusively of independent board members. On the assumption that no member will take part in more than one committee (normally, the committees all meet at the same time on the eve of each board meeting), this requirement results in at least nine independent members, all of them involved in a committee. Thus, based on the general consensus that smaller boards are more efficient, it is extremely difficult to sit on a board without also being a committee member, which necessarily increases the demand for time.

Independence

In one of our next Reports, we intend to look more closely at the new requirements of the *Sarbox* Law, the NYSE (New York Stock Exchange), and the Nasdaq. These should be examined in the context of the effects on Brazilian companies listed in the US, but also as a source of inspiration for the design of good models of local governance. Even so, it is also apposite to anticipate some comments on the concept of corporate board member independence. No precise definition exists to the concept of independence, but the NYSE, Nasdaq, and the *Sarbox* Law itself have tried. A rule common to all three is the prohibition for the company to pay any fee to its board members for any service other than their fees as members of the board. In other words, in the event of the existence of any other type of payment, the board member forfeits his/her independent status and, thus, in principle, can no longer be a member of any committee. The NYSE permits that committee work receive separate and additional compensation without undermining the independent status of the respective board member.

But the standards imposed by these three authorities (the *Sarbox* Act, the NYSE, and Nasdaq) are less similar than one might think. The reason for this lack of consistency is simple. It is very difficult to establish the nature of independence objectively enough to use this definition as a reference point in a legal system. Apart from obvious conflicts such as other remunerated professional services, independence is more closely linked to the attitude of the individuals concerned rather than to a group of precedent conditions. Since, in the majority of cases, members of the board are selected by the CEO, this conflict becomes evident right from the start: board members believe that if they question senior management too often, regardless of whether or not such behavior is justifiable as per their mandate, the likelihood of his/her re-election is minimal.

Hence, in our opinion, a method for facilitating and encouraging the election of the board members by the shareholders would be beneficial. For example, companies could be obliged to reserve at least three seats on the board for members elected directly by the shareholders. It is true that in states in which legislation permits cumulative voting[5], a group of a few important shareholders acting together can already elect members. However, company executives always view this initiative with great suspicion, which, in itself discourages most investors from exercising this right. In addition to having the potential to solve the problems involved in electing board members in states where a cumulative voting is not permitted, this pre-reservation of a certain number (not very high) of seats for shareholders could make this a common institutional practice and encourage the owners of the companies to take a seat on the board.

Some people could argue against this direct election basing their concern on the risk of these board members defending the interests of those who elected them as opposed to the interests of the company. Well, first, this would be blatantly illegal and

(3) *Making Corporate Boards More Effective* is a three-day course normally given twice yearly by the Harvard Business School – Executive Education. We recommend that interested parties visit the site: http://www.exed.hbs.edu/programs//mcbme/index.html.
(4) A US survey showed that the main reason that executives accept a position on boards is the opportunity to learn and to network.
(5) Unlike legislation governing treasury bonds, US corporate law is a state and not a federal legislation. Each company is subject to the laws of the state in which it was incorporated. For many reasons, but mainly based on the specialization of its courts and a pro-business bias, the majority of US listed companies are incorporated in Delaware.

any such board member would be personally liable for such an offense. Secondly, if a choice has to be made between two representatives who, by nature, may be conflicted, it would seem better to opt for a shareholders' representative rather than a clone of the CEO. To accept a system where the CEO appoints the board members and, at the same time, question the reasons whereby shareholders wish to exercise their legal right of choice and vote, seems to us as a too one-sided argument.

Today, another component influencing the choice of board members is the requirement for expert knowledge. In the particular case of the audit board, all members must be financial experts, a qualification to be defined by the SEC[6]. This concern is natural in light of the fact that the root of so many recent corporate scandals was their accounting policies. Swayed by their own personal interests linked with the stock options packages received and encouraged by Wall Street analysts interested in maintaining share prices as high as possible, CEO's strove to impose highly aggressive accounting criteria which sole aim was to maximize reported profits. A vital, but too often ignored, role of the board of directors is to monitor accounting standards. The importance of this work comes not only from the need to avoid illicit criteria, but also from the fact that many fundamental accounting criteria are based on subjective forecasts about the future, such as depreciation, deferred expenses, and pension payments.

The policy of information disclosure is another important part of the work of board members that is frequently neglected. Here, a distinction must be made between transparency and disclosure. Information about the complicated relations between Enron and its partnerships was actually disclosed in the notes to the financial statements. This did not make Enron a transparent company. Once this distinction has been drawn, board members must ensure that investors have the highest volume of quality information possible, which should only be limited by business-related reasons. It goes without saying that, to guarantee access to information by all interested parties so as to avoid insider trading is a company obligation and one the board should monitor closely.

Separation of Chairman and CEO

Perhaps the most frequently debated point in discussions about the structure of boards is the separation of the roles of CEO and Chairman. We think that no definitive argument actually exists. There are boards that work very well with either structure, even in the same companies at different times. If we had to select a system, we would prefer these positions to be held by two different people. However, what is absolutely essential is effective leadership of the independent members of the board. This leader must have the time available for close and frequent interaction with the CEO, and must have the authority to direct discussions, define agendas, demand results from the committees, and generally influence the conduct of the board. In this context, it is now also legally required for the independent board members to meet separately and to have a defined leader.

The danger here lies in the possibility of this independent action being transformed into mutiny. For this reason, mutual confidence between the board members and the CEO is absolutely essential. The undermining of confidence in this relationship is almost always irreparable and, if it involves a high number of board members, the CEO must be dismissed. The dismissal of a CEO is a hitherto rare event that is now becoming commonplace. This is a traumatic process for any company, particularly in the absence of any pre-defined succession plan.

No clear rules exist for succession. Obviously the sooner the procedures are put in place the less chance of damage. Either the board or the CEO may lead the process; it depends on the personalities of those involved. A well-known case was the GE succession, both in the choice of Jack Welch and of his successor. In both cases, the CEO led the process, both of which took almost two years. This would seem an exaggeratedly long time for most companies, but the GE culture and the strong personalities of the CEO's contributed to ease the tensions. The fact that both successors came from within the company facilitated the process. Indeed, many people believe that outside CEO's are only justified in very specific circumstances, but, nonetheless, this is still the more frequent procedure.

Summary of the best practices in the US

- Smaller boards
- Three committees: audit, compensation, and nomination (all independent members)
- Leader for independent directors
- Independent board members meet separately
- Periodic evaluations of both the CEO and the board itself
- Code of Conduct
- Main Duties of the Board:
    - Analysis and approval of business strategies
    - Evaluation of the CEO, definition of compensation and term of office
    - Assurance of accounting accuracy and transparency
    - Top management succession
- Increased audit committee responsibility:
    - Requirement of financial "experts"
    - Separation and independence from the board
    - Oversight of auditors

Evaluation and Remuneration

An analysis of the topic of CEO and executive remuneration certainly requires an space that we lack in this Report. It is a fact that there has been unacceptable abuses from CEO's and that boards have failed in their duties. But it is also a fact that the best remuneration systems are those where the interests of executive management are aligned with those of the shareholders and options based systems are, in principle, work in this direction. That outstanding performance should be rewarded by generous remuneration is not only reasonable but also recommendable. It is entirely possible to design a compensation system including options that effectively aligned such interests. It is interesting to note that the majority of packages today regarded as excessive were not submitted to the approval of shareholders. In this respect, the evolution is patent as bylaws of many companies now require shareholder's approval for compensation packages for senior executives.

To be fair, a variable remuneration must be conditional upon a performance evaluation process. This is relatively recent in the USA, particularly involving the CEO. Nevertheless, despite the potential for embarrassment, this process has become increasingly popular. It is not easy for the all-powerful CEO to be subjected to the opinion of the board of directors and harder still to accept that this opinion will impact his/her salary. In order for this system to function efficiently, it is absolutely essential for the board members to feel at ease both with each other and with the CEO. In addition, a specific corporate culture must be in place whereby the system works at all levels of the hierarchy, even if in a simplified form and, lastly, the CEO's ego must have bounds.

Whereas CEO remuneration is a basic issue, the fees of the board members are of secondary importance. As a rule of thumb, most large corporations pay between US$40 thousand and US$60 thousand *per annum*, 50% of which is generally in stock options. Despite being a material amount, it does not represent sufficient motivation for most of the individuals who are eligible for boards of directors. And, in any case, the remuneration of board members is intrinsically limited to an amount that would not affect their independence.

It is still relatively rare to encounter corporate boards that remunerate committee activities separately, although the growing importance and responsibility of this work increasingly justifies separate compensation, even if on a modest scale. Although some boards do evaluate their members, the possibility of basing their compensation based on such rating is still too far fetched. The moral impact of a bad evaluation coupled with the risk of not being re-elected should be sufficient motivation for board members to perform.

Risks and Liabilities

Considerable expectations have been generated regarding the future of members of boards of companies involved in the recent scandals. If, on the one hand, few doubts remain as to the guilt of their executives, the issue of legal liability of their board members is not a trivial matter. Surprising as it may seem, with the exception of fraud cases, no board members have ever been found guilty in corporate bankruptcy cases.

Nevertheless, it cannot be denied that the position of a corporate board member involves risk. There are two ways to deal with those risks. First, insurance can be bought, although, for obvious reasons, the premium has soared over the last two years. Secondly, in most US states (those who follow the so-called Model Act), state corporate legislation permits the inclusion in company statutes of an ex-

(6) The generic definition of a financial expert is a person who understands GAAP regulations and the duties of an audit board, and who also has a background in: (i) preparing the auditing financial statements; (ii) applying accounting estimate principles; and (iii) dealing with internal audit controls.

culpatory clause. Furthermore, it is reasonable to expect companies to undertake to pay their board members' legal fees in the event of litigation.

In such cases, the burden of proof lies upon the plaintiff. This is further complicated by the fact that the judges do not ponder the quality of board decisions but only whether or not they were taken in an appropriate manner, known as the business judgement rule. In other words, they decide as to whether the three duties of board members were fulfilled: duty of care, duty of loyalty, and duty of candor.

It is our understanding that, when well founded, legal actions taken against board members are generally settled and the amounts involved are lower than the insurance policy coverage. Apparently, there was only one case where the amount of the agreement exceeded the insurance coverage. The case involved the acquisition of a publicly listed corporation approved and recommended by the board of the company which was sold. A shareholder of this company sued the board members on the grounds that the amount paid was below the fair market value. The difference totaled US$120 million, the settlement amounted to US$23.5 million, and the insurance coverage was limited to US$10 million. It appears that the US$ 13.5 million gap was split between the buyer (the Pritzker family in Chicago, who would have paid US$10 million) and the board members.

Despite jurisprudence to the contrary, the corporate board members of Enron, Worldcom, etc., are being sued by dozens of shareholders. In the opinion of some Harvard professors, the majority, if not all, of the board members are likely to emerge unscathed. It is worth mentioning that the SEC has already announced its intention not to sue the Enron corporate board members, but a more definitive conclusion can only be reached when the courts commence the process of judging the shareholders' lawsuits.

Conclusion

In summary, it is impossible to precisely define the optimum formula for a perfect and productive board of directors. It is easier to define what must be avoided than what must be done. What is feasible is to examine the best corporate boards and try to replicate their features, with due regard for the specific character of each company. A summary of the best current practices can be found in the table on the preceding page.

After analyzing so many technical and formal aspects of the role of a board of directors, we cannot resist a more generic conclusion. To be efficient, a market economy requires a set of laws, rules, and regulations. The search for an efficient corporate board model is beneficial and essential from both the point of view of the regulating authorities and from that of the companies involved. But we must not lose sight of the fact that, in the final instance, what really differentiates a board is the integrity and quality of the individuals. Even by the highest standards discussed herein, Enron had a remarkable set of governance criteria. We suspect that the company had ISS approval and would have had minimal problems with the *Sarbox* Law. And more, in 1999, in a speech at the Centre for Business Ethics (*sic*), in Houston, the company's then CEO, Ken Lay, expressed his opinion on the role of the board of directors like this: ""What a CEO really expects from a board is good advice and counsel, both of which will make the company stronger and more successful; support for those investments and decisions that serve the interests of the company and its stakeholders; and warnings in those cases in which the investments and decisions are not beneficial to the company and its stakeholders." None of these helped much, as we all know only too well.

The fact is that a board of directors composed of competent individuals with high ethical standards and willing to work hard does not require detailed regulations to teach how to act in the long-term interests of the shareholders they represent. As Greenspan said, "…rules cannot substitute character."

Rio de Janeiro, January 6, 2003

Dynamo Cougar x Ibovespa x FGV-100

(in US$ dollars - commercial selling rate)

Period	DYNAMO COUGAR*			FGV-100**			Ibovespa***		
	Quarter	Year to Date	Since 01/09/93	Quarter	Year to Date	Since 01/09/93	Quarter	Year to Date	Since 01/09/93
1993	-	38,78%	38,78%	-	9,07%	9,07%	-	11,12%	11,12%
1994	-	245,55%	379,54%	-	165,25%	189,30%	-	58,59%	76,22%
1995	-	-3,62%	362,20%	-	-35,06%	87,87%	-	-13,48%	52,47%
1996	-	53,56%	609,75%	-	6,62%	100,30%	-	53,19%	133,57%
1997	-	-6,20%	565,50%	-	-4,10%	92,00%	-	34,40%	213,80%
1998	-	-19,14%	438,13%	-	-31,49%	31,54%	-	-38,40%	93,27%
1stQuar/99	6,81%	6,81%	474,80%	11,91%	11,91%	47,20%	12,47%	12,47%	117,36%
2ndQuar/99	24,28%	32,75%	614,36%	24,60%	39,44%	83,41%	2,02%	14,74%	121,76%
3rdQuar/99	3,17%	36,96%	637,01%	-4,71%	32,87%	74,77%	-7,41%	6,24%	105,34%
4thQuar/99	49,42%	104,64%	1001,24%	62,92%	116,46%	184,73%	59,53%	69,49%	227,58%
1stQuar/00	6,15%	6,15%	1068,96%	11,53%	11,53%	217,56%	7,08%	7,08%	250,77%
2ndQuar/00	-2,43%	3,57%	1040,57%	-6,26%	4,55%	197,67%	-9,03%	-2,59%	219,10%
3rdQuar/00	4,68%	8,42%	1093,99%	0,88%	5,47%	200,31%	-6,10%	-8,53%	199,63%
4thQuar/00	-4,98%	3,02%	1034,53%	-7,69%	-2,63%	177,23%	-10,45%	-18,08%	168,33%
1stQuar/01	-0,98%	-0,98%	1023,40%	-10,06%	-10,06%	149,33%	-16,00%	-16,00%	125,39%
2ndQuar/01	-6,15%	-7,07%	954,28%	-1,76%	-11,64%	144,95%	-3,73%	-19,14%	116,97%
3rdQuar/01	-27,25%	-32,40%	666,97%	-33,81%	-41,52%	62,12%	-36,93%	-49,00%	36,84%
4thQuar/01	38,52%	-6,36%	962,40%	55,88%	-8,84%	152,71%	49,07%	-23,98%	103,99%
1stQuar/02	13,05%	13,05%	1101,05%	3,89%	3,89%	162,55%	-2,76%	-2,76%	98,35%
2ndQuar/02	-22,40%	-8,60%	871,04%	-22,45%	-19,43%	103,60%	-31,62%	-33,51%	35,63%
3rdQuar/02	-22,31%	-28,99%	654,37%	-31,78%	-45,04%	38,90%	-44,17%	-62,88%	-24,28%

(*) The Dynamo Cougar Fund figures are audited by KPMG and returns net of all costs and fees, except for Adjustment of Performance Fee, if due.
(**) Index that includes 100 companies, but excludes banks and state-owned companies. (***) Ibovespa average.

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