

## Publicly Listed State-owned enterprises: from words to reality

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Fábio Coelho

fabio.coelho@amecbrasil.org.br

[www.amecbrasil.org.br](http://www.amecbrasil.org.br)

Amec closely monitors events involving listed companies that may cause concerns to investors. Along those lines, state-owned enterprises (SOEs), which means the Brazilian government is the controlling shareholder, have been in the spotlight due to adverse developments caused by a lack of commitment in their relationship with private investors.

We have been warning that the communication of relevant affairs in SOEs has not been following the due procedures and that the companies have been facing repeated threats of external influence since early 2021. Back then, the government announced unexpected changes on the executive board of Banco do Brasil and on the oil maker Petrobras' board of directors.

Petrobras has been drawing attention. Amec and the Instituto Brasileiro de Governança Corporativa - IBGC<sup>[1]</sup> have already spoken about the need for SOEs to follow the best practices in corporate governance, highlighting that the board of directors is responsible for choosing the company's management, including its CEO.

Once again, we note that the controlling shareholder has been managing SOEs as a kind of extension of the government's cabinet. As a result, arbitrary decisions that do not suit the standards demanded by publicly listed companies have occurred. In addition, the controlling shareholder shows a lack of maturity in dealing with other shareholders and choosing board members and executive directors.

The unjustified replacement of these professionals has no connection to the company's performance or management. Such a decision shocks those who are used to seeing best governance practices and a mature relationship with the market.

*[1] Note on nomination and replacement of CEOs in SOEs. Available at <https://amecbrasil.org.br/amec-e-ibgc-defendem-soberania-do-conselho-na-nomeacao-e-destituicao-de-ceo-de-estatais-2/>*

Investors blame the instability in the management for undermining the company's credibility and, thus, leading to volatility and lower valuations. Besides, it compromises investment plans, increases the cost of capital, and makes it harder for the company to access new fundraising sources.

The official note released by the Ministry of Mining and Energy says that "the (Brazilian) government renews its commitment to respect the company's corporate governance, abiding by the rules and norms that guide Petrobras," which sounds far from the reality.

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