The CVM's updated reporting requirements and the 2023 reference form

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Over recent years, Brazil's Securities Commission, the CVM (*Comissão de Valores Mobiliários*) has undertaken an intense agenda of revising, updating and consolidating its regulations to adapt them to new market dynamics and international regulatory standards.

As one step in this process, the CVM has issued CVM Resolution 59[1], amending provisions of CVM Resolutions 80 and 81 (which replaced CVM Instructions 480 and 481, respectively) and making significant changes in the reporting requirements applicable to publicly-held companies.

The structure and content of the reference form have also be affected by the new regulation, with a view to improving information reporting, reducing the costs of regulatory compliance, and including ESG (Environment, Social and Governance) information.

Under the banner of cost reduction, the changes introduced by CVM Resolution 59 seek to optimize the flow of information between companies – and especially their shareholders – and the market, eliminating requirements that are met through compliance with other regulatory provisions and reducing the degree of detail in items under the reference form.

Structurally, the sections of the new form have been reduced from 21 to 13, and the items under the eight discarded sections have been excluded altogether or redistributed among the remaining sections. The sections "Plans for share buybacks and treasury shares", "Securities trading policy", and "Information disclosure policy" have been eliminated, satisfying a longstanding request by the market to get rid of redundancies, while the sections on "Selected financial information" and "Exceptional transactions" have been reallocated to "Management's comments" and "Issuer's Business", respectively.

Another important change is related to the timeline covered by the reference form: prior to the reform, the reference form covered the last three years, but information is now required only with respect to the most recent year. Still, there are significant exceptions to the rule: at times, the annual document makes express reference to information for the last three years, and when the reference form is submitted as part of the issuer's application for registration as a publiclyheld company, it must cover the last three years and the current year.

In addition, the unstructured sections in the reference form can be completed by referring to other documents, as long as they have been sent to the CVM and instructions are given so that investors can locate the information.

On the ESG side, the CVM's goal is to align its regulations with market advances in other jurisdictions, to meet the growing demand by a segment of investors concerned not only with the placement of their funds and the return on their investments, but also ethical management of capital and the repercussions for society of the activity financed by the investor.

To promote more precise reporting with data sufficient for critical analysis by investors, the new reference form requires companies to report, for example, any financing of political parties; the elements that go into management compensation, including ESG-related performance indicators; detailed ESG information in a "comply or explain" format; a description of the company's personnel in light of diversity indicators – gender, race, and age; and management's comments on ESG related business opportunities.

In summary, the spirit of the reform is clearly to promote development of an efficient, compliant capital market, where information can play its essential role in the weighing of risks and companies' ability to attract investment from the general public.

NOTE

[1] CVM Resolution 87 amended and republished CVM Resolution 59 to adapt it to the provisions of CVM Resolutions 80 and 81.

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