

Remote Voting, Investor Monitoring, and Corporate Transparency

Abstract

Using the adoption of the remote voting in Brazil as a quasi-experiment setting, we study the impact of a cost reduction shock on minority shareholder engagement, board independence and corporate transparency. We use this setting to establish a causal effect between foreign institutional investors and their portfolio firms' governance. The adoption increased by 8 p.p. the voting turnout at general meetings, representing more than 10% of the pre-adoption average. Foreign investors are the main remote voting users, reaching nearly 99% of the mechanism usage. Over 60% of them are US-based investors. We find that foreign institutional investors vote more, increase their holdings, and are less likely to support incumbent directors. There was a considerable increase in dissident voting amongst international shareholders. The main reasons for foreign dissident voting are poor disclosure and lack of board independence. The companies' ownership holding of foreign main voters increased by 1 p.p. during the first year of implementation. The remote voting was able to enhance by over 4 p.p. the percentage of independent directors. There was also a relevant increase in the installation of monitoring bodies, especially the ones unsubordinated to the board. Finally, the implementation allowed companies to produce and disclose more extensive voting-related reports regarding their content, utility, comprehensibility, and size.

Keywords: corporate governance; shareholder activism; minority institutional investors; remote voting; corporate transparency.

JEL Classification: G23, G30, G34, G38.

1. Introduction

A company's governance environment is comparable to a shareholder democracy. Through voting engagement, investors are able to decide and state their voice about corporate boards and strategies. On the other hand, in a highly concentrated market and with relatively weak governance, minority institutional shareholders might be discouraged to engage in the firms' daily operations as well as being a voting opposition side as to challenge their controlling shareholder decisions at general meetings because they can always be outvoted. Thus, regulators play a relevant role in such scenario in order to provide mechanisms to foster minority interest in engaging in corporate decisions and protecting minority rights.

There are several corporate governance mechanisms carrying specific purposes, with a general objective being to reduce the harmful effects of conflicts of interest among stakeholders in the organizations (Silveira & Barros, 2008). For instance, some mechanisms contribute to the alignment of the interests of the parties through incentives to the agents, while others seek to increase monitoring, preventing agency conflicts from producing negative outcomes, especially from the point of view of the owners. Among others, shareholder engagement is a possible governance mechanism (Sharfman, 2015). That is, investor activism may help remedy agency problems (Marler & Faugère, 2010).

Activist shareholders incur in private costs (Admati, Pfleiderer & Zechner, 1994). Such costs derive from the participation and monitoring of shareholders in order to reduce the conflicts of interests between management and shareholders, and/or controlling shareholders and minority shareholders. Subtracting the costs, the average abnormal return of activism campaigns can be reduced as much as by two-thirds (Gantchev, 2013). Thus, implementation costs should play a relevant role in the decision-making of activists.

Consequently, there is a trade-off between the returns provided by the participation and monitoring and its costs of implementation (Shleifer & Vishny, 1986). We study a newly adopted remote voting mechanism that enables greater participation while it might reduce the costs of the activist strategies (Guimaraes et al., 2019). The possibility of voting at a lower cost may foster the engagement of larger investors, as well as provide incentives to participate to smaller shareholders by decreasing the free-rider problem.

Historically, the behavior of minority shareholders has been passive in most countries, including Brazil, possibly due to characteristics of their ownership structure, such as the prevalence of defined control and high ownership concentration (Sternberg, Leal, & Bortolon, 2011; Claessens & Yurtoglu, 2013; Judge, Gaur, & Muller-Kahle, 2010; Punsuvo, Kayo & Barros, 2007). In settings with concentrated ownership and poor governance, controlling shareholders may have strong incentives and opportunities to divert corporate resources to their private interests (Jiang, Lee & Yue, 2010). Moreover, research on shareholder activism in emerging markets is rare or absent (e.g., Chung & Talaulicar, 2010; Claessens & Yurtoglu, 2013).

Nevertheless, such structural barriers to activism might be retreating. Ownership concentration has decreased in the Brazilian market due to the emergence of hybrid ownership structures and the requirements to list only voting stock, related to the highest stock exchange listing segment (Guimaraes et al., 2019). These changes lead to a greater possibility to identify and investigate the shareholder activism in the Brazilian context. Additionally, there has been initial evidence of the growth of activism in Brazil (Leal, Carvalhal & Iervolino, 2015; Vargas et al., 2018), Collares (2020); Maranhão, Bortolon & Leal (2020). Furthermore, the phenomenon of globalization, especially in financial markets, was able to make shareholder activism, generally an Anglo-Saxon matter

(Poulsen, Strand, & Thomsen, 2010), occur in other markets as well (Chung & Talaulicar, 2010).

In this context the remote voting mechanism is introduced. Due to the passive behavior from Brazilian minority shareholders, and mainly, the significant reduction of voting costs of international investors provided by the remote voting reform, it is expected that international investors lead the remote voting usage (Pereira, 2021; Guimaraes et al, 2019). While domestic institutional investors are not construed as evidence of strong external monitoring in Brazil, foreign institutional investors might have a positive impact on the governance practices of companies (Maranho, Bortolon & Leal, 2020). International shareholders might be able to bring better governance practices to the Brazilian corporate governance environment and influence Brazilian minority investors towards a more active behavior. There's evidence that institutional investors promote good corporate governance practices around the world. Moreover, institutional investors affect not only which corporate governance mechanisms are in place, but also their outcomes (Bena et al., 2017; Aggarwal et al., 2011).

We use the remote voting adoption as a natural experiment to observe the impact of cost reduction shock on minority shareholder engagement, corporate governance board-related outcomes and corporate transparency. We use this setting to first establish a causal effect between foreign institutional investors and their portfolio firms' governance. We then take advantage of the unique setting of the Brazilian market to understand the role of advising and monitoring directors in firms with controlling shareholders. Ex ante, it is unclear whether this decrease in cost would affect investor voting. On the one hand, as costs decrease, the net benefit per vote increases, and more voting can be expected. On the other hand, investors may have already self-selected into only well-governed stocks, and do not need to vote in order to change any governance

features. Similarly, investors may have selected firms where they have alternative channels of making their voice heard, for example through private negotiations. In both cases, voting would remain unchanged.

We find that, consistent with a monitoring role, foreign institutional investors vote more, increase their holdings, and are less likely to support incumbent directors. Foreign investors are the main remote voting users, reaching nearly 99% of the mechanism usage. Over 60% of them are US-based investors. The adoption increased around 8 p.p. in voting turnout at general meetings, representing more than 10% of the pre-adoption average. There was considerable increase in dissident voting amongst international shareholders. The main reasons for foreign dissident voting are poor disclosure and lack of board independence. The companies' ownership holding of foreign investors main voters increased in 1 p.p. during the first year of implementation. The remote voting was able to enhance in over 4 p.p. the percentage of independent directors. There was also a relevant increase in installation of monitoring bodies, especially the ones unsubordinated to the board. Finally, the implementation allowed companies to produce and disclose more and bigger voting-related reports regarding their content, utility, comprehensibility, and size.

Our paper contributes to the literature on cross-border governance in several streams. First, we provide direct evidence of the effect of foreign institutional investors' voting behavior. Second, we provide a channel through which foreign institutional investors affect their portfolio holdings' governance. We show that investors take a monitoring, rather than advising role, by voting for independent directors and participating more actively in AGM meetings.

Third, our research addresses the ongoing debate on the challenges regarding the connection of international investors and the casting of their votes. Regulators around the

world must improve the ability of shareholders to vote and that global investors should be able to cast their votes efficiently (Iliev et al., 2015). The implementation of remote voting in Brazil is strategically relevant to increase the participation of foreign institutional shareholders and address such gap.

Fourth, corporate governance literature focusing on voting mechanisms is largely absent (Gao et al., 2019). Specifically, such literature lacks in depth discussion about the possibilities of voting, their target investors as well as the mechanisms' costs, benefits, efficiency, and limitations. Our paper is one of the first investigations on the topic of remote voting and its effects.

Fifth, on the practical side, the results from this investigation are of interest to several stakeholders, including practitioners, domestic and international regulators. The remote voting is not an electronic or online voting. Investors must fill the ballot form out and then return it to the company. Shareholders are allowed to speak and engage with management and other investors at the general meeting, but they can only cast their vote through the remote voting card. Such setting leads to a unique experiment where institutional investors are the target users whereas retail investors might be discouraged to vote – less than 0.1% of the users are represented by Brazilian retail investors.

Finally, the dataset of our research is unmatched in terms of depth and completeness, specifically considering Latin-America and emerging economies. We built a unique and rich database, including private and government administrative data, hand-collected data, as well as data of domestic and international platforms, with a high level of detail, in firm-, director- and shareholder-level.

2. Related Literature and Remote Voting Adoption

The Brazilian financial system has undergone significant reform in recent years. One example is the requirement of greater disclosure since 2010, increasing both the quantity and the quality of mandatory information disclosed by companies. There was also new regulation regarding proxy requests and voting. Another relevant change was the adoption of remote voting (Guimaraes et al., 2019).

In convergence with a scenario of over a decade of new regulation aiming to improve the Brazilian corporate governance landscape, the Brazilian Securities Commission (CVM) regulated and implemented, through Instruction 561 of 2015, a procedure for remote voting. As a channel with greater accessibility and lower cost, this mechanism allows shareholders to have a greater participation in the decisions placed at the general meetings by voting, submitting proposals or asserting presence, thus contributing to the improvement of governance mechanisms in the Brazilian market (CVM, 2014).

The regulation introduces the remote voting ballot form (form containing the matters to be voted), the possibility of inclusion of candidates and minority shareholder proposals, deadlines, and ways of sending the form, among other aspects. The adoption of remote voting was optional in 2016 (only six companies adopted voluntarily), mandatory for companies included in the IBRX-100 and/or Ibovespa indices in 2017, and from 2018 onwards, mandatory for other publicly traded companies registered in category A (companies authorized to trade any public securities) and that have publicly traded stocks. The remote voting is not an electronic or online voting. Investors must fill the ballot form out and then return it to the company.

Over time, some countries allowed shareholders to vote electronically or by mail, such as France, Germany, Italy, the Netherlands and Spain (Network Briefing, 2017), as well as the United States (SEC, 2012) and China (Gao et al., 2019). However, in these countries, companies are not obliged to use such mechanism and corporate laws might hinder the use of online voting (Gao et al., 2019). With the exception of China (Gao et al., 2019), I have not found, in the literature of the countries mentioned above and others, studies that attempt to specifically investigate electronic or mail voting as a mechanism of investor activism and governance improvement. Gao et al. (2019) provide supportive evidence regarding this literature gap.

The remote voting mechanism enables greater participation while it might reduce the costs of the activist strategies (Guimaraes et al., 2019). The possibility of voting at a lower cost may foster the engagement of larger investors, as well as provide incentives to participate to smaller shareholders by decreasing the free-rider problem. More specifically, this research investigates the potential for minority shareholder empowerment caused by such reform. That is, minority shareholder activism enabled and empowered by the implementation of remote voting. Relatedly, it is relevant to observe whether it is possible to mitigate both agency problems: (i) minority shareholders and management and (ii) minority shareholders and controlling shareholders. In contexts with concentrated ownership and relatively weak governance, controlling shareholders may have strong incentives and opportunities to divert corporate resources to their private interests (Jiang, Lee & Yue, 2010).

3. Identification Strategy and Methodology

3.1.1. Difference in Differences (DiD)

I outline a natural experiment exploiting the exogenous variation provided by the CVM requirements. The period before the mandatory remote vote will comprise a 6-year period (2011 to 2016) or a 3-year period (2014 to 2016) – this strategy was chosen due to the fact that most public corporate governance information about the Brazilian capital market started in 2010, and therefore, the first years of corporate governance disclosure might have flaws and certainly have missing values - and the post-treatment period is the year of 2017. The treatment group is composed by the companies that mandatorily adopted the remote voting in 2017. The companies that had to adopt mandatorily in 2017 are the firms included in the Ibovespa and/or IBRX-100 indices in the year when the regulation was published. The remaining companies comprise the control group.

The DiD model is shown below:

$$y_{i,t} = \beta_0 + \beta_1 Time_t + \beta_2 Indices_i + \beta_3 RemoteVote_{i,t} + \gamma^k X_{i,t}^k + DY + DF + \varepsilon_{i,t} \quad (1)$$

where:

- y is the dependent variable, being in this analysis: voting turnout at AGMs, percentage of independent directors, the number of institutional investor votes and the number of dissident institutional investor votes;
- $Time$ is a dummy variable equal to 1 in the year 2017 and 0 during the 3-year or 6-year period;
- $Indices$ is a dummy variable equal to 1 for companies included in the Ibovespa and/or IBRX-100 indices and 0 otherwise;

- *RemoteVote* is a dummy variable resulting from the interaction of *Time* and *Indices*. β_3 represents the effect of remote voting on each dependent variable y , for each company i and year t ;
- X^k represents the vector of k possible control variables, for each company i and year t .
- DY is the year fixed effects, DF is the firm fixed effects and $\varepsilon_{i,t}$ is the error term.

The parallel trends assumption is the main identifying assumption of the Difference in Differences strategy. If the parallel trends assumption does not hold in the baseline model (i.e., the regression including only *Time*, *Indices*, and *RemoteVote*), it is relevant to control for the variables that may lead to the differential trending of the treatment and control groups. According to Goranova et al. (2016), the literature points to potentially useful control variables in activism studies, namely: profitability, industry, liquidity, and leverage.

In addition, in a setting with multiple pre-treatment periods, it might be helpful to use a linear control to capture the unparallel evolution regarding both groups. Technically, this approach allows the possibility of heterogeneous trends. Therefore, in a setting with firm and year fixed effects, there could be added in equation (1) the following control variables: *LinearControl_t*, where year 1 = 1, year 2 = 2, ..., year N = N, and the interaction between *LinearControl_t* and *Indices_i*, leading to the main control variable *HeterogeneousTrends_{i,t}* (Wooldridge, 2021).

3.1.2. “Inverse” Difference in Differences

In the second DiD, the control group becomes the set of companies that adopted distance voting in 2017, while the treatment group is comprised by the companies which mandatorily adopted the same mechanism in 2018 (for the first time). The identifying

assumption in this case is that the short-term impact of distance voting (e.g., growth in dissent voting or shareholder proposals) should be greater for the 2018 adopters compared to the 2017 adopters. The second structural DiD model is shown below:

$$y_{i,t} = \delta_0 + \delta_1 Time_t + \delta_2 NotIndices_i + \delta_3 DistanceVote_{i,t} + \phi^k X_{i,t}^k + DY + DF + v_{i,t} \quad (2)$$

Where:

- *Time* is a dummy variable equal to 1 in the year 2018 and 0 in the year 2017;
- *NotIndices* is a dummy variable equal to 1 for all companies that were not included in the Ibovespa and/or IBRX-100 indices and 0 otherwise;
- *DistanceVote* is a dummy variable resulting from the interaction of *Time* and *NotIndices*. δ_3 represents the differential effect of distance voting on each dependent variable y , for each company i and year t ;
- X^k represents the vector of k possible control variables, for each company i and year t .
- *DY* is the year fixed effects, *DF* is the firm fixed effects and $\varepsilon_{i,t}$ is the error term.

4. Data, Sample and Setting

By 2019, 334 companies had adopted the remote voting mechanism. All 2017 adopters complied correctly. 27 companies were excluded by voluntary adoption, interrupted use and/or late adoption, as reported in Table 1. After that, we ranked all companies by the Trading Index (TI) to observe whether there would be an overlap between treatment and control groups, and only 1 company from the treatment group had a TI score that did not

match their group by being after the 88th company with the control companies, and, thus, was excluded.

One important concern from this type of research design is that treatment and control groups might significantly differ in ways that hinder the identification of the causal parameters of interest. I intend to show that, in terms of corporate governance structure, both groups can be made comparable. Using the properties and characteristics of the data and companies of the sample, we propose to use suitable sub-samples as control groups in order to mitigate the heterogeneity between treatment and control groups. Although the implementation through index companies has a size and liquidity bias, we argue that the following 88 companies can be used as a comparable control group.

There are 6 levels of corporate governance listing segments in the Brazilian market, from the basic level, where what is required is essentially the Brazilian corporate law, to the highest level called Novo Mercado. Intermediate levels (i.e., Bovespa Mais, Bovespa Mais Nível 2, Nível 2 and Nível 1) intend to accommodate the different characteristics and profiles of the listed companies. The mandatory rules of the Novo Mercado include ownership structure with only voting shares, 100% Tag Along, at least 2 or 20% of independent directors, at least 25% free float or 15% average daily trading volume and simultaneous disclosure in English and Portuguese of relevant information.

Ranking only by the Trading Index, as a liquidity measure, we show in Table 3 that the first 88 companies from the control group have a similar structure in terms of governance listing segments compared to the mandatory treatment group (e.g., 60% of each group are Novo Mercado companies). As importantly, it is worth noting how different governance-wise is the remaining set of non-treatment companies, with more

than 90% of them applying only to the corporate law. Including these companies in the control group could therefore hinder the identification of the effect of the remote voting.

5. Empirical Analysis

5.1.1. Voting Turnout

The cornerstone analysis of the remote voting implementation regards whether and how the mechanism increased the voting turnout. If there's no change in the voting turnout, one could assume that there has been no interest from shareholders to engage even with a costless channel to vote. Therefore, the variation in voting turnout represents the first indicator of the remote voting effectiveness.

We exploit the exogenous variation provided by the regulator requirements to observe the impact of the remote voting. For this variable, the period before the mandatory remote vote will comprise two options: a 6-year period (2011 to 2016) or a 3-year period (2014 to 2016) – this strategy was chosen due to the fact that most public corporate governance information about the Brazilian capital market started in 2010, and therefore, the first years of corporate governance disclosure might have flaws and certainly have missing values - and the post-treatment period is the year of 2017. The treatment group is composed by the companies that mandatorily adopted the remote voting in 2017.

In a setting with high ownership concentration, once the controlling shareholder will always cast their vote, the average incremental percentage point in voting turnout, also known as quorum, can be assumed as the participation of minority shareholders. We have empirically analyzed the minority shareholder participation at the mandatory general meetings, where the most important matters are usually discussed, including distribution of profits, compensation package and board elections. Thus, the first-year effect is a

possibility to observe whether the remote voting was used to enhance minority investors' engagement behavior.

We find consistent evidence that the remote voting implementation increased shareholder participation, thus becoming a potential mechanism for minority shareholder engagement. Using a variety of settings, samples, control groups, pre-treatment periods, and control variables, we estimate that the mechanism is able to enhance the overall participation in general meetings by about 8 p.p. considering the companies that adopted the remote voting in the first year of implementation (2017), as shown in table 4.

From the 88 companies of the treatment group, 16 companies did not receive any remote voting ballot form from their investors. If the remote voting has a real effect on the outcome, it is reasonable to expect that, when analyzing the 72 companies that have the most engaged investors (RV users), there will be stronger results compared to the ones with the full treatment group. Interestingly, with companies that have remote voting users, the effect has a greater coefficient (8.2 p.p. versus 7.47 p.p.) as well as with greater statistical significance.

It is also worth noticing that the high level of ownership concentration preconized by the literature and anecdotal evidence are confirmed by our estimates. The average voting turnout pre-adoption is around 68% for the treatment group, thus, the remote voting effect increased more than 10% on average, with the possibility to reach 15% of participation enhancement. These results are even more meaningful when observing that this increase is due to minority shareholder participation (given that the controlling shareholders vote every year). The voting turnout pre-adoption for the control group is considerably higher, as one would expect, averaging 78%, ranging from 75% with Novo Mercado companies to 83% with the full sample, another compelling evidence of the ownership concentration in the Brazilian market.

We find that the results remain the same compared to the full sample when utilizing the 88/88 approach control sub-sample, weakening the assumption that the implementation biases could harm the true coefficients. Finally, when narrowing to only Novo Mercado companies in both treatment and control groups, the estimated impact of the remote voting on the voting turnout becomes slightly higher, ranging from 8 p.p. to over 10 p.p. increase, statistically significant at 1% level. These results combined provide support to conclude that the remote voting was an effective mechanism to foster minority shareholder voting.

Related to the voting rates in the AGMs' matters, although most treated companies in the first year of adoption did not have such items approved by unanimity, presenting some level of dissident voting, approval percentages remain high. For instance, considering one of the most controversial matters, the management compensation package, it had around 94% of approval on average. This reinforces the argument that minority investors use their voting right, fostered by the remote mechanism, primarily as a threat of engagement instead of a publicly confrontational instrument. The main reason is that creating a public fight with a steady controlling shareholder and management, despite working with them, may have a negative cost-benefit balance.

5.2. Profile of Remote Voting users

Regarding the number of voting ballots returned by investors, there was a steady increase overtime. Few ballots were returned in 2016 (optional adoption year). There was an increase in 2017, as companies included in two stock exchange indices had to adopt the remote voting, and from 2018 there was a significant increase as all listed companies should be able to provide such voting channel to their investors. The trend from 2020 on was likely impacted by the Covid-19 pandemic, as it fostered remote participation.

Relatedly, the evolution of the number of shareholders that used the mechanism increased in a much lower rate. The core group of investors remain the same through the years. For example, comparing 2017 and 2018 as the first years of adoption, while there was an addition of more than 40,000 RV ballots returned, the increase in the number of investors participating was less than 500, resulting in a spike of used RV ballots per shareholder. That is, the same investors that could vote at a lower cost in 94 companies, later could vote in all their invested companies in Brazil.

Observing their voting behavior, foreign RV users utilize it approximately 20 times a year. It is important to mention that this average ratio cannot be directly related to the number of companies because Brazilian companies can hold more than one general meeting a year – the mandatory one by April, and others for discretionary matters. When isolating only the mandatory AGMs, nearly 4,000 ballot forms were used in 2017, and around 30,000 from 2018 onwards, as reported in table 5. Thus, the avid foreign remote voting user would vote for around 10 companies on average every year. There's a stable prevalence of foreign investors as the very main users of the remote voting mechanism, in accordance with our research hypothesis. Looking at which countries compose such percentages, US investors are, with significant distance, the main users, followed by European minority shareholders.

We show in table 6 that Investors from 29 different countries used the remote voting in 2017, 39 in 2018 and 2019, and 45 in 2020. In the period from 2017 through 2020, investors from 54 countries used this mechanism. Regionally, North America leads with 63.9% of the returned remote voting cards, with a relevant difference from Europe, with 23.2%. Asia and Oceania combined account for 9,1% of the remote voting usage. South America-based investors returned only 1.7% of the voting ballots during this 4-year period.

Analyzing the profile of investors that are using the remote voting as a mechanism of participation, Anglo-Saxon cultures prevail, where shareholder engagement is typically more frequent. Almost all the users of the remote voting are institutional investors. As hypothesized, due to the remote voting design and the reduction of participation cost for international shareholders, they are the key users of the mechanism. Brazilian minority investors, on the other hand, when they intend to participate, as the engagement culture in Brazil is underdeveloped, they rather attend AGMs in person.

When analyzing international shareholders who regularly cast their votes, the remote voting implementation increased in over 1 p.p. the combined voting ownership of foreign minority investors in Brazilian companies during the first year of adoption. Such finding is meaningful once major global institutional investors decide to increase their portfolio of voting shares, rather than preferred share or no increase at all, in a highly concentrated market. It is an indicative that they aim to have their voices heard and make changes in governance through voting, and the remote voting was the channel they instrumentalized to engage.

We can reinforce anecdotally this key evidence by looking at the most publicly engaged universal ownership investors at the global stage: BlackRock, Vanguard and State Street in the United States and Norges Bank Investment Management, the world's largest sovereign wealth fund, in Europe. Henceforth called Big Four, reference to the well-known Big Three, in addition to Norges.

Those funds are well-established in publicly addressing the need to provide better corporate governance practices as well as enforce their campaigns upon their portfolio companies. The remote voting, consequently, is a strong possibility to foster such engagement pattern. Regarding their investment strategy in Brazil, it is noticeable that both treatment and control groups evolve very similarly, the spike in both curves happens

in the first year of adoption of the mechanism for each group and, after the implementation, there's a significant increase in the amount of invested companies by those four major shareholders, reaching the peak of 100 companies in 2020, as reported in figure 1.

Furthermore, it is worth mentioning that the percentage of voting shares held by the Big Four enhanced through time, fluctuating between 2% (before the adoption) and 3% (after) of the voting ownership structure on average at a fund level (not their combined ownership at a firm level). In this context, it is possible to argue that the efficacy of minority shareholder engagement is not necessarily related to the size of the position, especially in Brazil with high levels of controlling ownership, where having a bigger position might not symbolize greater power as they would remain being outvoted. Instead, in an environment like the Brazilian, it might be a better strategy to hold a significant position and engage parsimoniously with management while maintaining the threat of dissident voting and negative public campaign, in this case, fostered by the remote voting mechanism.

Lastly, there is a relevant level of overlap regarding the target companies of the four funds. On average, more than 45% of the target companies have more than one out of the four universal shareholders. Therefore, their joint ownership and effort to enforce policies with similar goals, being coordinated or not, can also catalyze the outcomes towards better corporate governance practices.

5.3. Foreign Dissident Voting

The dynamics of activism and voting power in an environment with concentrated ownership might enforce specific characteristics as well as engagement strategies to achieve their goals, including pre-vote negotiations (Dressler, 2020). Regarding the

Brazilian setting, it is worth explaining the domestic institutional shareholders preferences and their underlying reasons. As Pereira (2021)¹ details the Brazilian institutional investors behavior, we have to take into account that:

- (i) Brazilian investors do not want to be seen as activists and prefer to call themselves “collaborative activists”. Activism has a negative connotation since it is associated with confrontation, only large public pension funds use the term to describe their actions.
- (ii) Confrontation is avoided through prior scrutiny of companies’ governance and activism is a reactive defense mechanism because investors do not believe it is effective when companies have clearly defined controlling shareholders.
- (iii) Brazilian independent asset managers do not believe activism is effective because of the large presence of defined controlling shareholders with over half of the voting capital. They do not see it as their roles to take action to induce performance or governance improvement other than what might be achieved by convincing management in the ordinary course of business in private meetings.
- (iv) Consciousness of voting as a fiduciary duty is increasing among stewardship signatories but accountability is incipient. Collaboration on votes is becoming more common but it is neither frequent, regular nor with the same parties. Independent asset managers have voting policies in place and some enact such policies based on beliefs, habit or for relationship reasons.

¹ Pereira (2021) is particularly relevant because the author conducted in-depth interviews with several Brazilian institutional investors, providing a rich description of the Brazilian market.

(v) Pro-active engagement is limited to and primarily associated with public pension funds proposing candidates to board seats, requesting separate elections for minority or preferred shareholders, and requesting the creation of a fiscal council.

While such passively-rooted domestic environment as well as the implementation of a costless voting mechanism provide an opportunity for international shareholders to lead the engagement and its outcomes, international shareholders could evaluate the net benefit of the incremental new vote as not worthy of engagement and effort, given the characteristics of the Brazilian scenario. Thus, an unresolved question is how those shareholders would cast their vote, aligning with, or confronting the management.

In line with the previous findings, examining fund-level data on voting, there was exponential increase in the cast of voting of foreign institutional shareholders. We show in table 8 that, on average, the treated Brazilian company received over 300 additional votes from international funds, only considering the first year of adoption, being a 64% increase compared to the pre-adoption average. It is worth mentioning that those votes regard every item put to a vote on the general meeting agenda. For instance, each director in a board election represents a new vote. Narrowing only to Novo Mercado companies, the average number of additional votes reaches nearly 400 votes. The results also stand analyzing only companies with RV active users, reaching over 425 votes. Those findings provide strong evidence that the remote voting was the channel that increased fund-level voting. This analysis specifically does not consider the ownership percentage of each investor, being all votes weighted as 1 because, in a setting as the Brazilian one, any new investor participation is as important as the investor position itself.

Importantly, we find that the remote voting mechanism doubled the number of dissident votes from foreign shareholders. A dissident vote happens when the minority

institutional investor votes against a management proposal and/or AGM agenda items while unable to outvote and reject such scrutiny, representing a certain level of dissatisfaction and confronting or at least being publicly unaligned with the controlling shareholder. We describe in table 9 that there was an increase in over 20 dissident foreign votes for the full sample, reaching 30 additional dissident votes considering only Novo Mercado companies and over 30 votes, when covering only treated companies with active RV users. The results are statistically significant in all scenarios and represent the impact for the first year of adoption. The proportion of dissident votes increases even more through the years post-adoption as investors engage and use their right to vote.

The dissident voting behavior spiked by the remote voting adoption is a turning point amid the Brazilian corporate governance and companies. The exercise of the right of being dissident will open a wider path of shareholder engagement, possibly including Brazilian institutional investors. Even though Brazil is one of the world's biggest economies, largest countries in territory and population, the stock market is heavily underdeveloped, and therefore became a niche of people, private networking and behavior standard protocols. Inside such niche, controlling shareholders avoided at a certain cost public confrontation and any possibility to harm the companies' and the owners' public image. The governance reforms through the decades allowed Brazil firms to gain trust with global investors, culminating with the remote voting reform, the most direct regulation change related to investor engagement. The increase in the behavior of challenging management, priorly left to behind-the-scenes activism and very few loud minority investors, will likely advance the Brazilian corporate landscape over the next years, including more minority proposals, more diverse companies, and greater space for other stakeholders in boards and executive decision-making seats.

Finally, it is worth noticing that there is also a certain level of concentration among foreign minority voters. Considering the spam from 2011 to 2021, the 12 investors that vote the most account for 50% of the volume of all votes, and the top 50 foreign voters account for 80% of all the casted votes. The Big Three are situated among the top 4 foreign voters alongside with Fidelity Investments. The three investors alone account for 24% of the casted votes during the last decade. On the company side, there is also concentration on the receiving end of those votes. The 25 companies that counted the most votes account for over 50% of the total number of votes from foreign investors. After this block of companies, the proportion of casted votes are more dispersed amongst the other 184 firms that are also covered by the ISS dataset, with a minor level of concentration.

5.4. Independent Directors

A central element for increasing the owners' accountability and monitoring the corporate board is the presence of independent directors. According to the Brazilian corporate law and governance listing segments, across all levels, there must be at least 20% of the board composed by independent members with unified term of up to 2 years. Except the Nível 2 segment, which denotes the minimum of 5 board members, all other listing segments and the corporate law demand a minimum of 3 members as the total number of board members. The key detail regarding those requirements is that the Novo Mercado segment requires at least 2 or 20%, whichever is greater, as independent directors with unified term of up to 2 years. Therefore, all Novo Mercado companies will have a higher proportion of independent members and, mainly, are likely to have similar independence and time evolution regardless of being included in the control or treatment group, liquidity, profitability or size. The independence requirements also produce flatter, more constant curves evolution allowing to argue a cleaner remote voting exogenous

shock, as we can observe in figure 2. That is, monitoring variables, such as the percentage of independent directors, are expected to have a one-year impact followed by a stable time evolution, instead of an exponential growth through the post-adoption years.

We find that the remote voting mechanism increased by approximately 4 p.p. the percentage of independent directors, as reported in table 10. It is reasonable that one of the main changes rooted in the minority shareholder engagement would be the enhancement of monitoring in boards ruled by controlling shareholders through independent members. The average percentage of independent directors' pre-adoption (2010-2016) is 26% for the treatment group (thus, a 15%-increase impact) and 14% for the control group (all companies). When isolating the Novo Mercado and Nivel 2 companies, the pre-adoption independence average is 33% for the treatment group and 31% for the control group. Figure 3 shows the board independence evolution regarding only Novo Mercado companies.

Given the said characteristics of this variable, it is also possible to use an “inverse” Difference in Differences approach, where the control group becomes the set of companies that adopted distance voting in 2017, while the treatment group is comprised by the companies which mandatorily adopted the same mechanism in 2018 (for the first time). The identifying assumption in this case is that the short-term impact of remote voting should be greater for the 2018 adopters compared to the 2017 adopters. When using the inverse DiD approach using Novo Mercado and Nivel 2 companies (previously in the control group) as treated companies, we also estimate an increase of about 4 p.p. The results also hold when utilizing Latin American companies as control group, both in a 1-year and a 4-year pre-treatment period.

When observing the evolution of only Novo Mercado companies, the comparability of both groups as well as the argument of parallel pre-trends is proven

robust. We argue that the first-year effect, as regarding the full sample, are causally addressed by the impact of the remote voting adoption. Importantly, the reform impact leading to greater board independence is similar across all corporate governance listing segments, reducing the size and liquidity bias of the reform design when it comes to governance structure and shareholders' will to monitor companies decision-making bodies. Thus, minority shareholders are able to increase the board independence as instrument of monitoring even in an defined ownership environment due to the increase in participation and voting.

5.5. Fiscal Council

One of the possibilities brought by the remote voting ballot form is the direct request of the installation of the fiscal council². For companies that had no fiscal council by AGM time, they have to offer this option mandatorily on the Remote Voting ballot form. One example would be “Do you want to request the installation of the Fiscal Council, in accordance with art. 161 of Law 6,404/76?”, providing three options: Yes, No or Abstain, with the remark: “If you ticked ‘Yes’, indicate the name of the candidate”. It is the most straightforward participation possibility allowed by the remote voting reform, especially targeting minority shareholders, so they can engage easily at a much lower cost.

Fiscal council is a body enabled by the Brazilian corporate law which has extensive powers to investigate the company's financial reporting and can state their opinion at AGMs. The supervisory council can be a permanent or temporary body. It is permanent when such provision is included in the firm's bylaws. Otherwise, it is

² Fiscal council can be named in the literature, practitioner or consulting materials as fiscal board, supervisory board, or supervisory council. We are using the nomenclature that is used the most by Brazilian companies and advisory proxy firms such as ISS.

temporary when created on demand by minority shareholders representing 10% of the common (voting) shares or 5% of the preferred (non-voting) shares. It expires at the next AGM, but the shareholder demand for the supervisory council can be renewed at that meeting.

Specifically, the Brazilian corporate law concedes the following rights regarding the supervisory council: (i) minority shareholders holding at least 10% of the voting shares have the right to elect one member; (ii) holders of preferred shares have the right to elect one member; (iii) the controlling group can elect the remaining members, in a number equal to those elected by minority shareholders plus one, and thus can control the supervisory council, if it chooses to; (iv) even if they are outvoted, minority shareholder representatives can demand to inspect the company's books, resulting in a possibility to harm the public image of the company's executives and controllers.

We compare in figure 4 two monitoring bodies that differ in two core aspects: installation and subordination. The fiscal council is a body requested by minority shareholders and unsubordinated, whereas the audit committee is not requested by shareholders, being installed by and subordinated to the board. Using the evolution of the audit committee installation as a baseline, it is possible to observe that the number of fiscal councils created has been directly impacted by the remote voting implementation, changing its historical level of around 150 companies to around 190 companies, which remained relatively constant from 2018 on. The number of audit committees has a linear growth but no spike in its evolution, as expected, since its creation should be unrelated to shareholder actions and the remote voting influence. As this analysis comprises the full sample, it is expected that most installations occur from 2018 on, the first year of adoption of more than 70% of the companies.

This is supporting evidence for the use of remote voting as well as of the argument of a softly confrontational strategy of engagement. With a much less costly option to request the installation of a monitoring body, minority investors exerted their right swiftly. We argue that alongside with the effectiveness of the monitoring role of the fiscal council itself, the continuous request of installations symbolizes the vigilant presence and awareness of minority investors towards more accountable and less expropriating management and controlling shareholders.

5.6. Voting Informativeness

One of the main governance shocks brought by the remote voting regulation was the increase in the both the number of voting reports required and the information content of them. Prior the regulation, specifically until 2015, the only publicly disclosed voting or any related report that companies provided was a overly summarized AGM minute, where it was described the law procedures, asserting that the minimum quorum was present to start the meeting, most of them stated the quorum (turnout) itself and, usually describing the outcome from four matters: (1) approval of financial statements, (2) distribution of profits and dividends, (3) management and board compensation and (4) board election. Most companies only described that if a given matter was approved by unanimity or by majority.

After the regulation, companies had to disclose: (1) extended detailed AGM minute, (2) remote voting ballot form that is sent to investors 30 days before the meeting and is expected to be received until 7 days before the meeting, (3) consolidated remote voting map, showing the results specifically from the remote voting users, (4) detailed final voting map, where companies describe how each shareholder voted, identified with the first five number of their identifier number and (5) synthetic final map, presenting how each matter was voted, the number of shares that voted for, against or abstained. It

is worth noting that companies usually have other meetings throughout the year, where they vote matters that are out of the usual scope of the AGM. The AGM in Brazil is called ordinary general assembly, happening until April and the second type of meeting is usually called extraordinary general assembly. For the extraordinary AGM, companies have to disclose precisely the same new required voting reports.

This is the second major informational governance shock in the Brazilian market. The first one happened in 2010, where companies had to disclose most of their governance data and structure in a standardized format. The number of new requirements was the main reason that the Brazilian regulator changed the law 7 months after its publication postponing in one year the adoption for each group. The first-year adopters, changed from 2016 to 2017. And the second-year adopters, changed from 2017 to 2018. The law update turned out to be particularly useful once all first-year adopters complied correctly and on time.

Once the AGM minute was the item disclosed before the adoption, such report becomes a good measure of the quantity and the quality of the changes in voting informativeness. Regarding the full sample, from 2010 to 2022, there has been around 87 thousand words and its variations, adding up to 14.5 million words in total. We use the number of characters as a measure of the size of the voting report, that is, the amount of letters, numbers, and others, except spaces of the document. For the treatment group, comparing before and after adoption, the amount of information increased in more than four times, as shown in figure 5. For the control group, it almost doubled. Therefore, the remote voting implementation directly impacted the size of the information content of the main voting report of the Brazilian market.

The remote voting also impacted the mentions of relevant topics such as foreign investors (figure 6), pension funds (figure 7) and responsibility (figure 8). We call

mentions the average number of words in the AGMs minute per firm-year. The mentions of foreign investors more than doubled, here considering BlackRock, Vanguard, State Street, Norges, Fidelity, Voya, Lazard, Rowe and Wisdomtree. Mentions of pension funds tripled after the remote voting adoption. This is particularly relevant because pension funds historically are the only source of activism in Brazil. Lastly, comparing before and after the remote voting, mentions related to responsibility increased in more than four times, in this case, including words such as ESG, green, responsibility and sustainable. Thus, the content, mainly due the presence of new investors, has been reshaped. It is important to point out, nevertheless, that those figures do not represent necessarily the presentation and inclusion of new minority proposals but that the investors that participated in a given meeting have those keywords as investment strategy and/or fund profile. Finally, the influence of the United States and its investors is also noted, having several states and cities being namely mentioned such as Arizona, California, Connecticut, Delaware, Idaho, Illinois, Minnesota, Ohio, Philadelphia, Texas, Wisconsin, Wyoming and New York. The interest of American shareholders in investing in Brazil is geographically widespread in the United States.

5.7. Quality of disclosure and corporate transparency

Another novel data we bring from Insightia regards the detailed reasons of how each vote was casted. That is, the reason why foreign institutional investors decided to vote against a certain matter at general meeting of Brazilian companies. The main complains backing the dissident vote are poor disclosure and lack of board independence, representing alone respectively 30.7% and 29.7% of the total voting rationale. Both peak around the remote voting implementation, with the poor disclosure as reason for dissident voting reaching 42.6% in 2018, as shown in table 11. In both cases, there is a relevant increase during the years of the implementation of the mechanism (2016 to 2018), a decay

in the following years, and a new increase during the years around 2020, maintaining high levels also after the remote voting. This suggests that, even with the last two decades of improvements in the Brazilian corporate governance, the arrival of greater foreign minority shareholder engagement brought light to the remaining lack of disclosure and quality of information as well as overall independence in the Brazilian market.

Other relevant reasons for dissident voting regards “Not in shareholders" best interests”, “Apparent failure to link pay and appropriate performance”, “Concerns to protect shareholder value”, “Concerns about overall board structure”, “The dividend payout ratio is too high.”, and others. According to active foreign investors in the Brazilian market, the current state of the corporate governance structure has still room for a significant growth.

In line with the poor quality of disclosure, ESG-related rationale for dissident voting increased throughout the years, especially after the remote voting adoption. As we show in table 11, the ESG-related reasons for voting against the management at general meetings started in 2016, being significantly bigger in 2021 and 2022.

The most targeted company is Vale S.A. for motives such as “reportedly failed to remediate water pollution, to respect indigenous rights, and to respect the right to safe and healthy working conditions in Brazil.”, “allegedly failed to respect the right to an adequate standard of living in Mozambique”, “There are clear concerns over questionable finances or restatements of accounting figures”, “There have been questionable transactions with conflicts of interest.”, and others. Another widely targeted company in terms of ESG complaints when voting is JBS S.A., including “allegedly failed to respect the right to safe and healthy working conditions in multiple countries.”, “allegedly failed to mitigate risks of climate change in many countries, reportedly having sourced cattle from suppliers involved in illegal deforestation in the Brazilian Amazon rainforest”,

“accused of failure to respect indigenous rights in the supply chain and bribery in Brazil.” and “alleged of failing to respect consumer health and safety, and of price fixing and contributing to water pollution in the United States.”

6. Concluding Remarks

We use the remote voting adoption as a natural experiment to observe the impact of cost reduction shock on minority shareholder engagement, corporate governance board-related outcomes and corporate transparency via voting disclosure and installation of monitoring bodies. We use this setting to first establish a causal effect between foreign institutional investors and their portfolio firms' governance. We then take advantage of the unique setting of the Brazilian market to understand the role of advising and monitoring directors in firms with controlling shareholders.

We find that, consistent with a monitoring role, foreign institutional investors vote more, increase their holdings, and are less likely to support incumbent directors. Foreign investors are the main remote voting users, reaching nearly 99% of the mechanism usage. Over 60% of them are US-based investors. The adoption increased around 8 p.p. in voting turnout at general meetings, representing more than 10% of the pre-adoption average. There was considerable increase in dissident voting amongst international shareholders. The main reasons for foreign dissident voting are poor disclosure and lack of board independence. The companies' ownership holding of foreign investors main voters increased in 1 p.p. during the first year of implementation. The remote voting was able to enhance in over 4 p.p. the percentage of independent directors. There was also a relevant increase in installation of monitoring bodies, especially the ones unsubordinated to the board. Finally, the implementation allowed companies to produce and disclose more and bigger voting-related reports regarding their content, utility, comprehensibility, and size.

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Figure 1 – Number of invested companies by the Big Four

This figure reports the number of Brazilian companies that the Big Four shareholders (BlackRock, Vanguard, State Street and Norges) invested throughout the years for treatment and control groups. It is worth noting that if a company is invested by more than one of these 4 investors in a given year, it counts only as 1 in this graphic. The black vertical lines are a reference for the before and after the 2-step adoption, that is, from 2017 on for the treatment group and from 2018 on for the control group.

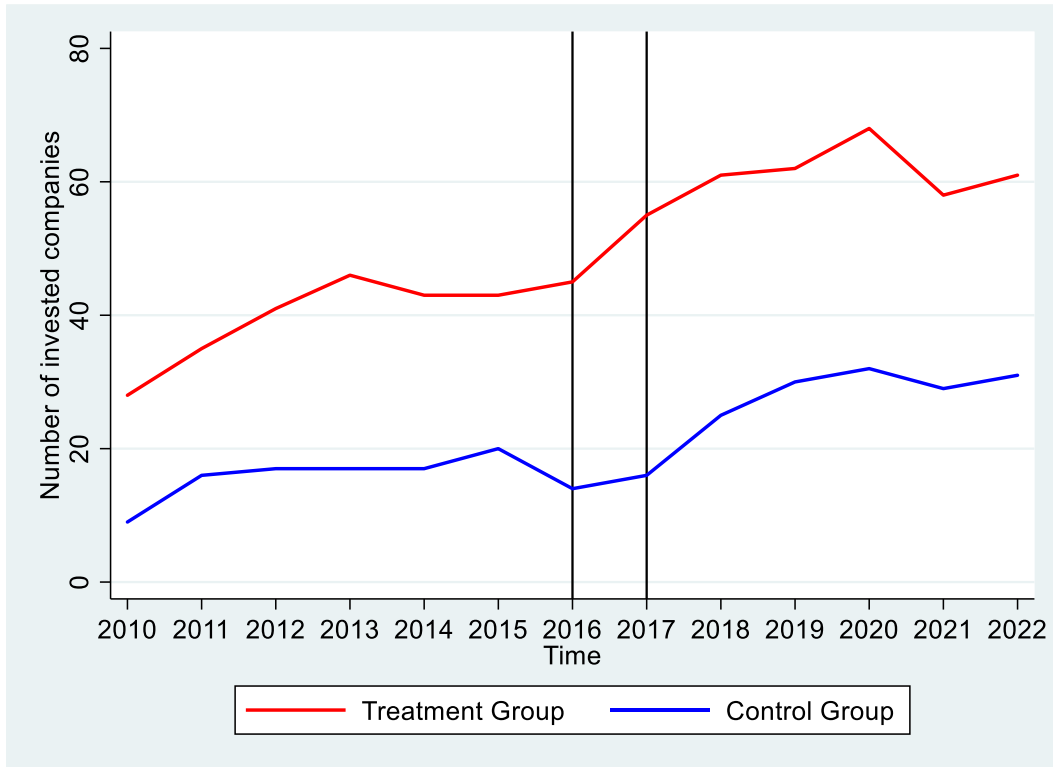


Figure 2 – Board Independence

This figure reports the percentage of independent directors, calculated as the number of independent directors divided by the total number of board members, for the treatment group and the control group. The data used comprises the full sample, therefore, the treatment group accounts for 89 companies and the control group, 217 companies, totalizing 306 firms. The black vertical lines are a reference for the before and after the 2-step adoption, that is, from 2017 on for the treatment group and from 2018 on for the control group.

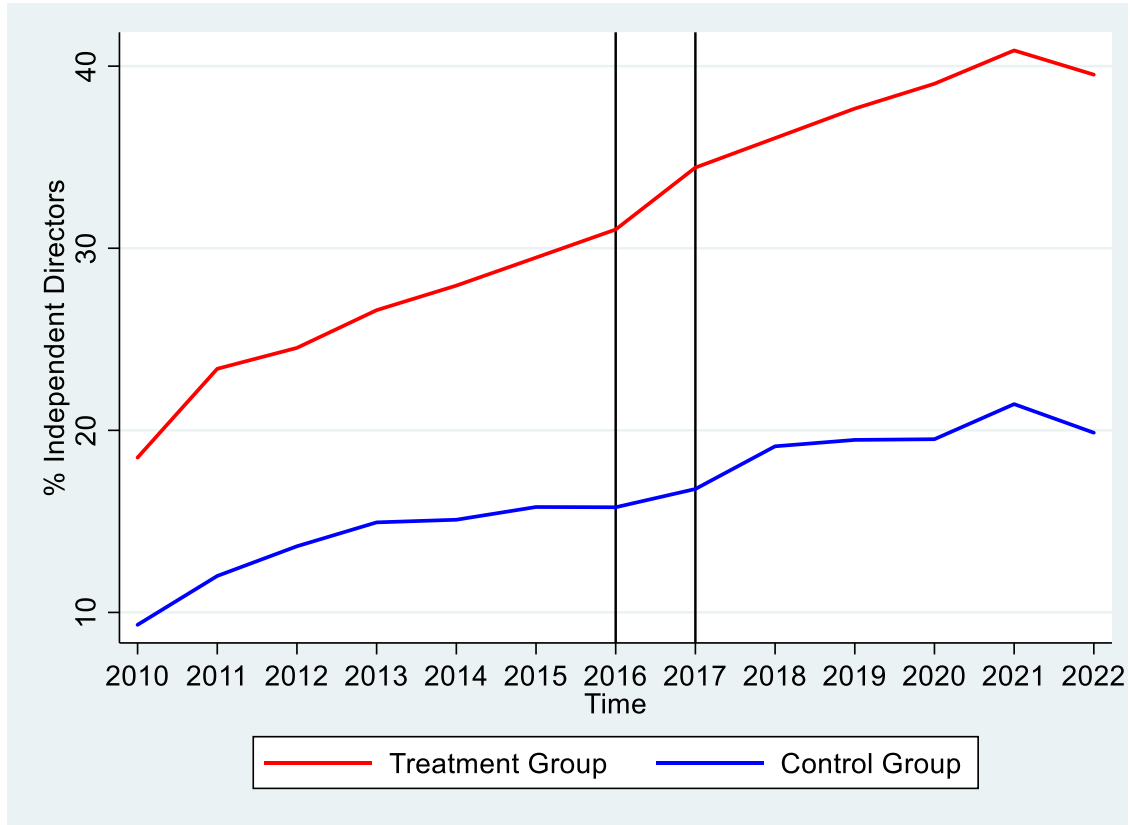


Figure 3 – Board Independence (Novo Mercado)

This figure reports the percentage of independent directors, calculated as the number of independent directors divided by the total number of board members, for the treatment group and the control group. The data used comprises only Novo Mercado companies, therefore, the treatment group accounts for 54 companies and the control group, 57 companies, totalizing 111 firms. The black vertical lines are a reference for the before and after the 2-step adoption, that is, from 2017 on for the treatment group and from 2018 on for the control group.

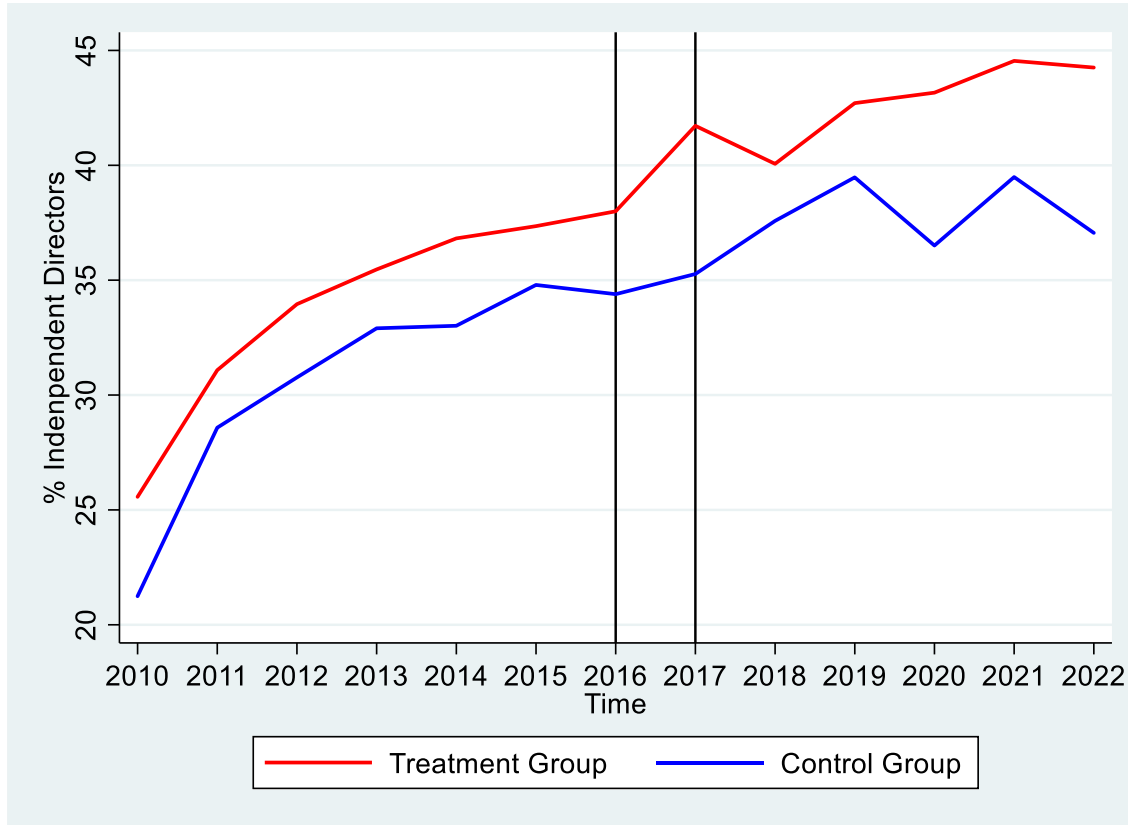


Figure 4 – Evolution of monitoring bodies

This figure reports the time evolution of the number of companies that installed the supervisory council and audit committee in the Brazilian market. The black vertical line is a reference for before and after all companies had adopted the remote voting mechanism, that is, from 2018 on.

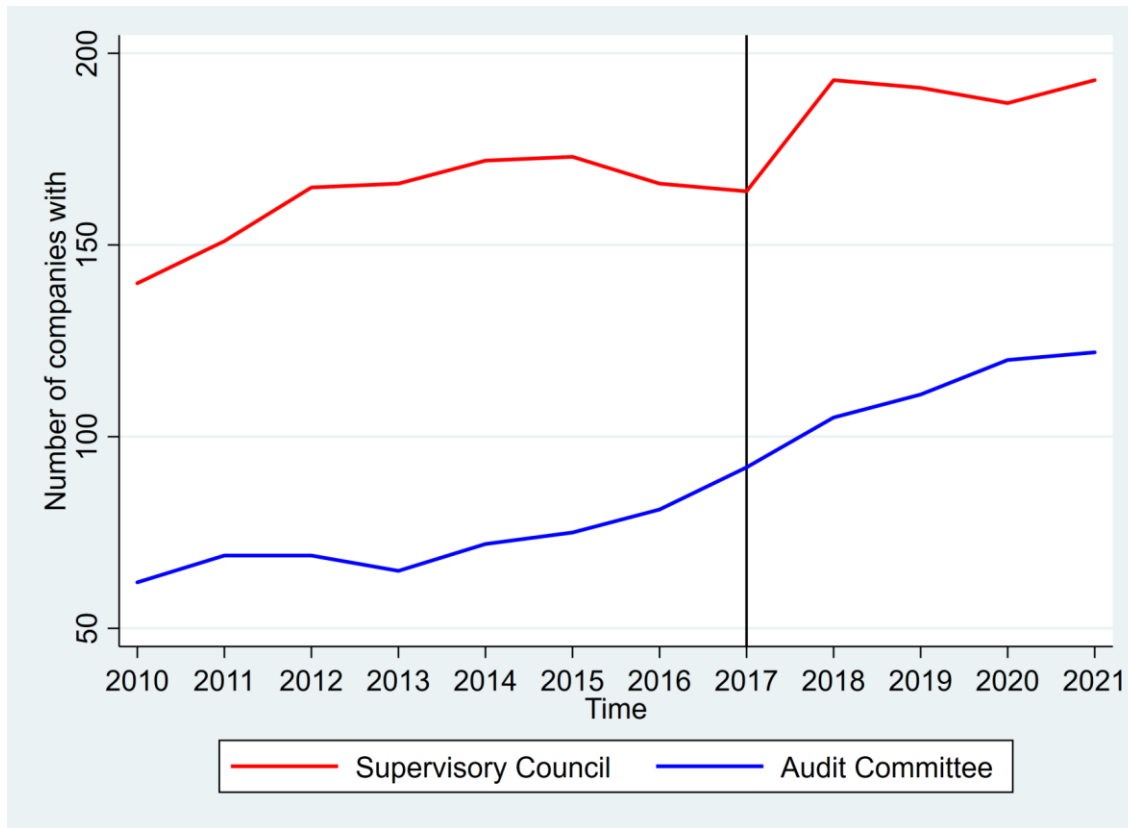


Figure 5 – Number of Characters in AGM minutes

This figure reports the time evolution of the average number of characters contained in AGM minutes for the treatment and control groups. The number of characters is measured as the amount of letters, numbers and other items, except spaces of the document.

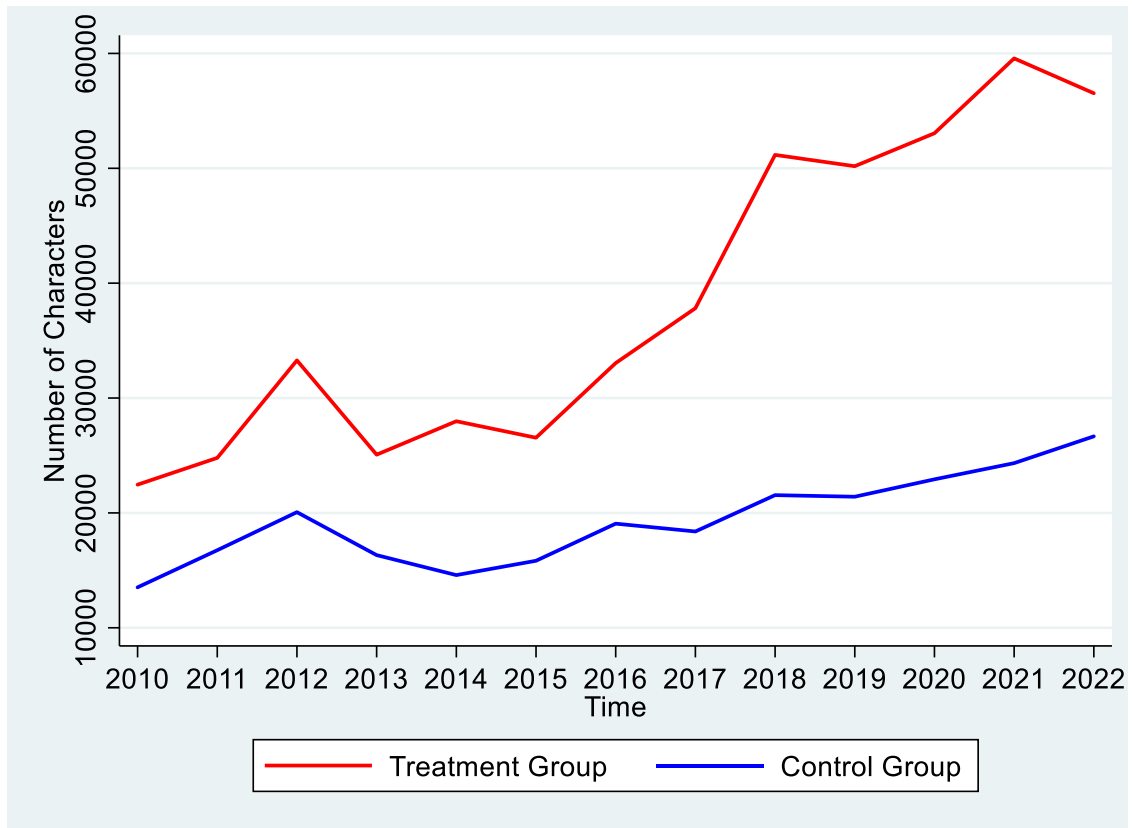


Figure 6 – Number of mentions of Foreign Investors

This figure reports the average number of mentions of foreign investors presented in companies AGM minutes. Here, the number of mentions regards the average number of words in the AGMs minute per firm-year. The words used for foreign investors are BlackRock, Vanguard, State Street, Norges, Fidelity, Voya, Lazard, Rowe and Wisdomtree. There are other investors cited in the minutes, but they are numerically residual. The data in this graph comprises the full sample.

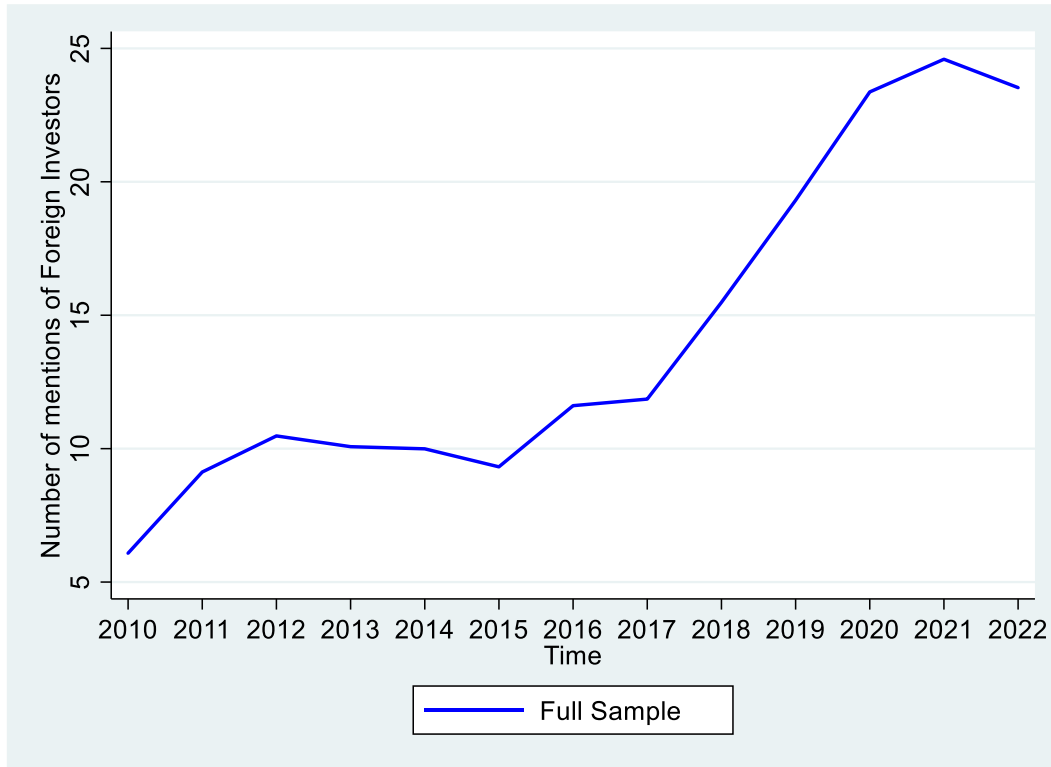


Figure 7 – Number of mentions of Pension Funds

This figure reports the average number of mentions of pension funds presented in companies AGM minutes. Here, the number of mentions regards the average number of words in the AGMs minute per firm-year. The words used for pension funds are the variations of the expression ‘pension funds’ in English or Portuguese. The data in this graph comprises the full sample.

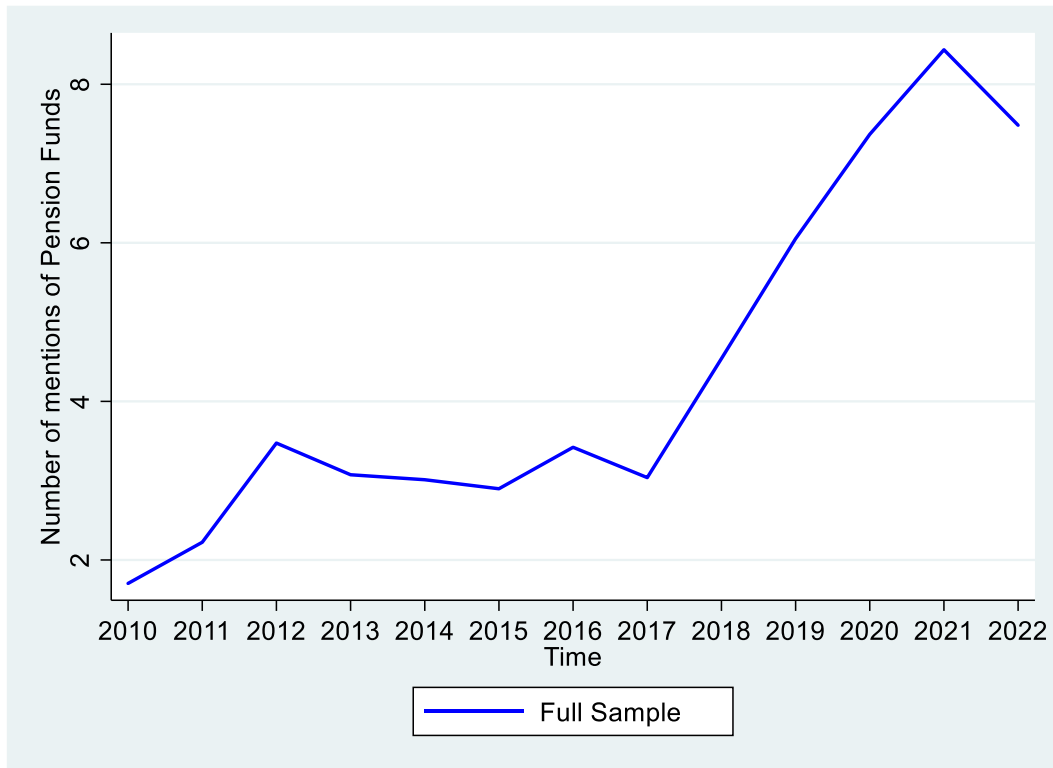


Figure 8 – Number of mentions of Responsibility

This figure reports the average number of mentions of responsibility-related words presented in companies AGM minutes. Here, the number of mentions regards the average number of words in the AGMs minute per firm-year. The words used for responsibility are ESG, green, responsibility and sustainable. The data in this graph comprises the full sample.

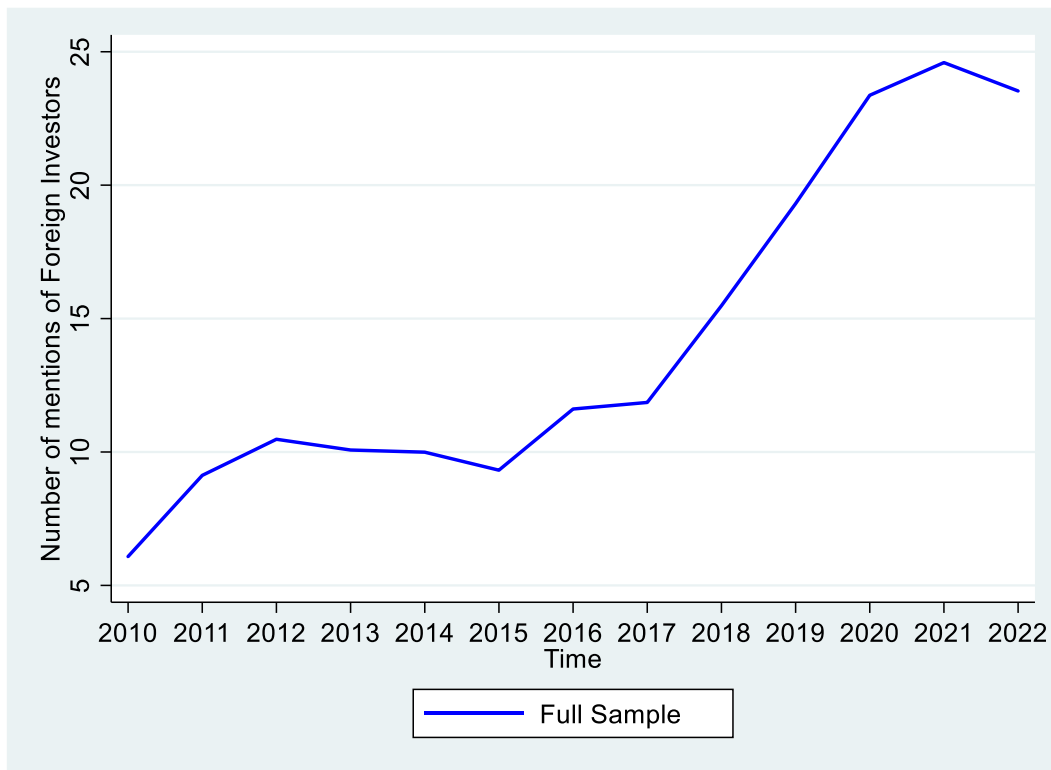


Table 1 - Sample

This table reports the description of the composition regarding the final sample used in this research. Companies (27) with voluntary adoption, late adoption and interrupted use were excluded. Finally, ranking all companies by liquidity (Trading Index), all treatment companies rank first, except for 1 company that was excluded.

Exclusions	2017 adopters	2018 adopters	Total
Full sample	94	240	334
Voluntary adoption	3	7	10
Interrupted use	2	6	8
Late adoption	0	9	9
Unmatching TI score	1	0	1
Remaining sample	88	218	306

Table 2 - Data Source (summarized)

This table reports the source of each relevant variable used in this work as well as the method it was collected.

Variables	Source
Remote voting usage	B3 administrative database
Voting turnout	Hand-collected (AGMs minutes)
Board Independence	Comdineiro
Board Independence (director level)	Comdineiro, hand-collected (CVM ref. form)
Board Independence (Argentina, Chile, Colombia, Peru and Mexico)	BOARDEX
Shareholder voting	ISS
Number of foreign shareholder votes	ISS
Number of dissident foreign votes	ISS
Detailed reasoning for investor voting	Insightia
Governance Segments, Fiscal Council and Audit Committee	Comdineiro
Shareholder ownership (>5%)	Comdineiro, hand-collected (CVM ref. form)
Shareholder ownership (all)	Thomson Reuters-Refinitiv, hand-collected
Control Variables, Trading Index	Comdineiro

Table 3 – 88/88 Approach

This table reports the division of the sample in three groups as they are ranked by liquidity (Trading Index). The treatment group regards the first 88 companies with the highest TI. The control group is divided in two groups, the first includes the 89th until 176th company with the highest TI, and the second includes the remaining control companies. The rationale is that both treatment and the first control sub-group have a similar distribution regarding governance structure, having for instance a comparable proportion of companies listed in the highest listing segment, the most demanding in terms of corporate governance rules.

Governance Listing Segment	Treatment Group (1st 88)	Control Group (2nd 88)	Others (130)
Lowest level (Corporate Law)	6,80%	25,00%	93,00%
Mid-levels	31,80%	10,20%	7,00%
Highest level (Novo Mercado)	61,40%	64,80%	0,00%
Total	100,00%	100,00%	100,00%

Table 4 – DiD estimates for voting turnout

The table reports OLS regression estimates of the AGMs' turnout (%) (number of voting shares that voted/total of voting shares) using a DiD identification strategy. RemoteVote_{i,t} is the variable that represents the effect of remote voting on the AGM quorum (voting turnout), obtained as the interaction of Time_t (post-adoption dummy variable) and Indices_i (dummy indicating participation in a stock exchange index whose components mandatorily adopted the remote voting mechanism). In a Firm and Year Fixed Effects setting, the last two dummies are dropped. Full sample comprises 306 companies. 88/88 Approach regards the use of a sub-control group of 88 companies that both treatment and control groups share similar corporate governance structures. NM companies as sample refers to only using firms listed in the highest corporate governance segment in the Brazilian market, Novo Mercado, summing up to 111 companies, being 54 from the treatment group. Using RV users as treatment group, the 16 companies that had no investors using the remote voting mechanism are excluded, therefore, the treatment group totalizes 72 companies. Firm and Year Fixed Effects are used in all equations. Control variables account for firm size, liquidity, profitability, and leverage. To argue the allowance of heterogeneous trends, it was added the following control variables: LinearControl_t, where year 1 = 1, year 2 = 2, ..., year N = N, and the interaction between LinearControl_t and Indices_i, leading to the main control variable HeterogeneousTrends_{i,t}. 3-year pre-treatment period refers to 2014 to 2016 and 6-year pre-treatment period refers to 2011 to 2016. This strategy was implemented due to the possibility of low-quality data during the first years as well as missing values given that most corporate governance data in Brazil started to be disclosed in 2010, therefore, there could be a learning curve by the companies. As a matter of fact, for the variable quorum, the period 2011 to 2013 had missing values in approximately 45% of the observations, while the period 2014-2016 had 27%. For example, some companies, specially before 2016, disclosed that: “shareholder representing more than 2/3 of the voting capital”, “more than 50%”, “the legal minimum quorum”, etc. Therefore, I could not assume what quorum it would be. In one type of writing, I could collect: “shareholder representing 100% of the voting capital”, “unanimity”, “totality of voting capital”. In all equations it is used a 1-year post-treatment period (2017). Average voting turnout pre-adoption regards the average quorum of the referred pre-treatment period for the treatment group. Standard errors (in parentheses) are clustered at the firm level; p-values are described as: *** p<0.01, ** p<0.05, * p<0.1.

	(1)	(2)	(3)	(4)	(5)
RemoteVote	7.33***	5.76**	8.60***	6.89**	6.31**
(Robust standard error)	(2.29)	(2.57)	(2.39)	(2.66)	(3.01)
Full Sample	Yes	Yes	Yes	Yes	No
88/88 Approach	No	No	No	No	Yes
NM companies as sample	No	No	No	No	No
RV users as treatment group	No	No	Yes	Yes	No
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Control Variables	Yes	Yes	Yes	Yes	Yes
Allowing Heterogeneous Trends	No	Yes	No	Yes	No
3-year pre-treatment period	No	No	No	No	No
6-year pre-treatment period	Yes	Yes	Yes	Yes	Yes
Number of Observations	957	957	911	911	615
Average voting turnout pre-adoption	70.69	70.69	69.43	69.43	68.10

Table 4 – DiD estimates for voting turnout (continued)

The table reports OLS regression estimates of the AGMs' turnout (%) (number of voting shares that voted/total of voting shares) using a DiD identification strategy. $RemoteVote_{i,t}$ is the variable that represents the effect of remote voting on the AGM quorum (voting turnout), obtained as the interaction of $Time_t$ (post-adoption dummy variable) and $Indices_i$ (dummy indicating participation in a stock exchange index whose components mandatorily adopted the remote voting mechanism). In a Firm and Year Fixed Effects setting, the last two dummies are dropped. Full sample comprises 306 companies. 88/88 Approach regards the use of a sub-control group of 88 companies that both treatment and control groups share similar corporate governance structures. NM companies as sample refers to only using firms listed in the highest corporate governance segment in the Brazilian market, Novo Mercado, summing up to 111 companies, being 54 from the treatment group. Using RV users as treatment group, the 16 companies that had no investors using the remote voting mechanism are excluded, therefore, the treatment group totalizes 72 companies. Firm and Year Fixed Effects are used in all equations. Control variables account for firm size, liquidity, profitability, and leverage. To argue the allowance of heterogeneous trends, it was added the following control variables: $LinearControl_t$, where year 1 = 1, year 2 = 2, ..., year N = N, and the interaction between $LinearControl_t$ and $Indices_i$, leading to the main control variable $HeterogeneousTrends_{i,t}$. 3-year pre-treatment period refers to 2014 to 2016 and 6-year pre-treatment period refers to 2011 to 2016. This strategy was implemented due to the possibility of low-quality data during the first years as well as missing values given that most corporate governance data in Brazil started to be disclosed in 2010, therefore, there could be a learning curve by the companies. As a matter of fact, for the variable quorum, the period 2011 to 2013 had missing values in approximately 45% of the observations, while the period 2014-2016 had 27%. For example, some companies, specially before 2016, disclosed that: “shareholder representing more than 2/3 of the voting capital”, “more than 50%”, “the legal minimum quorum”, etc. Therefore, I could not assume what quorum it would be. In one type of writing, I could collect: “shareholder representing 100% of the voting capital”, “unanimity”, “totality of voting capital”. In all equations it is used a 1-year post-treatment period (2017). Average voting turnout pre-adoption regards the average quorum of the referred pre-treatment period for the treatment group. Standard errors (in parentheses) are clustered at the firm level; p-values are described as: *** p<0.01, ** p<0.05, * p<0.1.

	(6)	(7)	(8)	(9)	(10)
RemoteVote	7.96**	6.13**	8.13**	9.61***	6.66*
(Robust standard error)	(3.29)	(3.08)	(3.16)	(3.18)	(3.53)
Full Sample	No	No	No	No	No
88/88 Approach	Yes	Yes	No	No	No
NM companies as sample	No	No	Yes	Yes	Yes
RV users as treatment group	Yes	Yes	No	Yes	Yes
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Control Variables	Yes	Yes	Yes	Yes	Yes
Allowing Heterogeneous Trends	No	Yes	No	No	Yes
3-year pre-treatment period	No	No	No	No	No
6-year pre-treatment period	Yes	Yes	Yes	Yes	Yes
Number of Observations	584	584	439	413	413
Average voting turnout pre-adoption	67.61	67.61	66.39	66.24	66.24

Table 4 – DiD estimates for voting turnout (continued)

The table reports OLS regression estimates of the AGMs' turnout (%) (number of voting shares that voted/total of voting shares) using a DiD identification strategy. $RemoteVote_{i,t}$ is the variable that represents the effect of remote voting on the AGM quorum (voting turnout), obtained as the interaction of $Time_t$ (post-adoption dummy variable) and $Indices_i$ (dummy indicating participation in a stock exchange index whose components mandatorily adopted the remote voting mechanism). In a Firm and Year Fixed Effects setting, the last two dummies are dropped. Full sample comprises 306 companies. 88/88 Approach regards the use of a sub-control group of 88 companies that both treatment and control groups share similar corporate governance structures. NM companies as sample refers to only using firms listed in the highest corporate governance segment in the Brazilian market, Novo Mercado, summing up to 111 companies, being 54 from the treatment group. Using RV users as treatment group, the 16 companies that had no investors using the remote voting mechanism are excluded, therefore, the treatment group totalizes 72 companies. Firm and Year Fixed Effects are used in all equations. Control variables account for firm size, liquidity, profitability, and leverage. To argue the allowance of heterogeneous trends, it was added the following control variables: $LinearControl_t$, where year 1 = 1, year 2 = 2, ..., year N = N, and the interaction between $LinearControl_t$ and $Indices_i$, leading to the main control variable $HeterogeneousTrends_{i,t}$. 3-year pre-treatment period refers to 2014 to 2016 and 6-year pre-treatment period refers to 2011 to 2016. This strategy was implemented due to the possibility of low-quality data during the first years as well as missing values given that most corporate governance data in Brazil started to be disclosed in 2010, therefore, there could be a learning curve by the companies. As a matter of fact, for the variable quorum, the period 2011 to 2013 had missing values in approximately 45% of the observations, while the period 2014-2016 had 27%. For example, some companies, specially before 2016, disclosed that: “shareholder representing more than 2/3 of the voting capital”, “more than 50%”, “the legal minimum quorum”, etc. Therefore, I could not assume what quorum it would be. In one type of writing, I could collect: “shareholder representing 100% of the voting capital”, “unanimity”, “totality of voting capital”. In all equations it is used a 1-year post-treatment period (2017). Average voting turnout pre-adoption regards the average quorum of the referred pre-treatment period for the treatment group. Standard errors (in parentheses) are clustered at the firm level; p-values are described as: *** p<0.01, ** p<0.05, * p<0.1.

	(11)	(12)	(13)	(14)
RemoteVote	8.08***	9.19***	9.20***	10.55***
(Robust standard error)	(1.94)	(2.01)	(2.75)	(2.84)
Full Sample	No	No	No	No
88/88 Approach	Yes	Yes	No	No
NM companies as sample	No	No	Yes	Yes
RV users as treatment group	No	Yes	No	Yes
Firm Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Control Variables	Yes	Yes	Yes	Yes
Allowing Heterogeneous Trends	No	No	No	No
3-year pre-treatment period	Yes	Yes	Yes	Yes
6-year pre-treatment period	No	No	No	No
Number of Observations	513	473	328	299
Average voting turnout pre-adoption	70.98	69.43	69.05	66.92

Table 5 - RV investor usage

This table reports the remote voting usage numbers, including the number of remote voting ballots received each year and the number of investors that sent the voting form. RV ballots per Investor accounts for the number of RV ballots divided by the number of investors.

Year	Number of RV ballots	Number of Investors	RV ballots per Investor
2016	528	419	1.3
2017	11,694	2,481	4.7
2018	53,414	2,928	18.2
2019	60,554	3,336	18.2
2020	76,750	3,732	20.6

Table 6 - RV investor usage by country

This table reports the remote voting investor usage by country, describing the total percentage of foreign shareholders that used the mechanism and the top-10 remote voting country users, accounting for around 95% of the total usage every year.

Country	2017	2018	2019	2020
All foreigners	98.7%	98.9%	98.6%	98.2%
United States	63%	60%	59%	56%
Ireland	8%	7%	7%	7%
Great Britain	6%	7%	7%	7%
Canada	6%	7%	7%	6%
Luxembourg	4%	4%	4%	5%
Australia	3%	4%	4%	4%
Japan	3%	2%	2%	3%
Cayman Islands	1%	1%	2%	2%
Brazil	1%	1%	1%	2%
Netherlands	1%	1%	1%	2%

Table 7 - List of Foreign Voters

This table reports the top-50 foreign investors that vote on Board-related matters in the Brazilian market, covered by ISS database. The top-50 accounts for 80% of the total flow of votes covered. The table shows the name of the investor, the share of each investor of the total votes by foreign investors and the general rate of dissident votes of each investor.

#	Investor	Share	Dissidence
1	BlackRock Advisors, Inc.	11%	5%
2	Fidelity	10%	10%
3	Vanguard Group, Inc.	7%	9%
4	State Street Global Advisors	4%	15%
5	WisdomTree Asset Management	2%	11%
6	Northern Trust Global Investments	2%	7%
7	Dimensional Fund Advisors, Inc.	2%	6%
8	Massachusetts Financial Services Company	2%	4%
9	Voya Investment Management, LLC	2%	10%
10	Prudential Investments LLC	2%	10%
11	First Trust Advisors L.P.	2%	10%
12	Grantham, Mayo, Van Otterloo LLC	2%	8%
13	T. Rowe Price Associates, Inc. (MD)	2%	6%
14	AllianceBernstein LP	2%	6%
15	DBX Strategic Advisors LLC.	1%	13%
16	Wells Fargo Funds Management, LLC	1%	11%
17	Pacific Life Fund Advisors	1%	3%
18	Lazard Asset Management (US)	1%	12%
19	Allianz Global Investors Fund Management LLC	1%	6%
20	SSgA Funds Management, Inc	1%	16%
21	Morgan Stanley Investment Management Inc.	1%	6%
22	Capital Research & Management Co.	1%	10%
23	Norges Bank (NBIM)*	1%	7%
24	Bessemer Investment Management LLC	1%	2%
25	New York Life Investment Management LLC	1%	10%

Table 7 - List of Foreign Voters (continued)

This table reports the top-50 foreign investors that vote on Board-related matters in the Brazilian market, covered by ISS database. The top-50 accounts for 80% of the total flow of votes covered. The table shows the name of the investor, the share of each investor of the total votes by foreign investors and the general rate of dissident votes of each investor.

#	Investor	Share	Dissidence
26	PowerShares Capital Management LLC	1%	14%
27	Goldman Sachs Asset Management LP (US)	1%	8%
28	Retirement Teachers of Texas*	1%	13%
29	Variable Annuity Life Insurance Company	1%	9%
30	Delaware Management Company	1%	13%
31	INVESCO Institutional (N.A.), Inc.	1%	13%
32	William Blair Capital Management LLC	1%	8%
33	SEI Investments Management Corporation	1%	6%
34	CalPERS*	1%	15%
35	Optique Capital Management, Inc.	1%	6%
36	Janus Capital Management LLC	1%	9%
37	Alpine Woods Capital Investors, LLC.	1%	11%
38	CIBC Asset Management*	1%	8%
39	American Century Investment Management, Inc.	1%	8%
40	AIG SunAmerica Asset Management Corp.	1%	9%
41	Delaware Investment Advisers	1%	7%
42	MassMutual Financial Group	1%	6%
43	TIAA-CREF Asset Management LLC	1%	2%
44	Columbia Management Advisors, Inc.	1%	6%
45	Cambiar Investors, LLC	1%	9%
46	Transamerica Funds	0.5%	7%
47	Thrivent Investment Management, Inc.	0.5%	7%
48	AGF INVESTMENTS INC.*	0.5%	8%
49	APG Asset Management N.V.*	0.4%	14%
50	John Hancock Funds, LLC	0.4%	7%

Table 8 – DiD estimates for number of foreign votes

The table reports OLS regression estimates of the number of foreign investor votes using a DiD identification strategy. $RemoteVote_{i,t}$ is the variable that represents the effect of remote voting on the number of foreign casted votes, obtained as the interaction of $Time_t$ (post-adoption dummy variable) and $Indices_i$ (dummy indicating participation in a stock exchange index whose components mandatorily adopted the remote voting mechanism). In a Firm and Year Fixed Effects setting, the last two dummies are dropped. Full sample comprises 306 companies. Novo Mercado companies as sample refers to only using firms listed in the highest corporate governance segment in the Brazilian market, Novo Mercado, summing up to 111 companies, being 54 from the treatment group. Using RV users as treatment group, the 16 companies that had no investors using the remote voting mechanism are excluded, therefore, the treatment group totalizes 72 companies. Firm and Year Fixed Effects are used in all equations. Control variables account for firm size (log of total asset), liquidity (trading index), return on asset, return (12-month stock's return), ebitda (log), firm's market value (log), net debt (log) and dividend yield. In all equations it is used a 1-year post-treatment period (2017) and a 6-year pre-treatment period (2011 to 2016). Standard errors (in parentheses) are clustered at the firm level; p-values are described as: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Variables	(1) Full Sample	(2) Novo Mercado	(3) RV Users
RemoteVote	336.1*** (86.77)	373.5*** (123.7)	435.4*** (101.6)
Size	-12.57 (25.67)	1.739 (47.68)	-12.58 (29.23)
Liquidity	24.57 (38.81)	68.30 (55.33)	15.61 (40.63)
ROA	-1.032 (1.244)	-3.700 (7.710)	-1.084 (1.209)
Return	-0.0205** (0.0100)	0.377 (0.539)	-0.0172* (0.00984)
Ebitda	2.565 (21.80)	-15.01 (43.11)	17.74 (22.65)
Market value	-12.34 (18.61)	-14.90 (41.07)	-25.24 (20.98)
Net debt	-2.515 (13.20)	-12.96 (30.92)	-6.725 (15.86)
Dividend yield	0.600 (2.259)	1.460 (3.742)	-0.355 (2.874)
Constant	265.8** (117.9)	314.2 (219.7)	289.8** (124.8)
Observations	1,463	763	1,344
R-squared	0.157	0.211	0.205
Number of firms	209	109	192
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes

Table 9 – DiD estimates for number of foreign dissident votes

The table reports OLS regression estimates of the number of foreign dissident investor votes using a DiD identification strategy. $RemoteVote_{i,t}$ is the variable that represents the effect of remote voting on the number of foreign casted dissident votes, obtained as the interaction of $Time_t$ (post-adoption dummy variable) and $Indices_i$ (dummy indicating participation in a stock exchange index whose components mandatorily adopted the remote voting mechanism). Dissident voting refers to voting against management agenda items at AGMs. In a Firm and Year Fixed Effects setting, the last two dummies are dropped. Full sample comprises 306 companies. Novo Mercado companies as sample refers to only using firms listed in the highest corporate governance segment in the Brazilian market, Novo Mercado, summing up to 111 companies, being 54 from the treatment group. Using RV users as treatment group, the 16 companies that had no investors using the remote voting mechanism are excluded, therefore, the treatment group totalizes 72 companies. Firm and Year Fixed Effects are used in all equations. Control variables account for firm size (log of total asset), liquidity (trading index), return on asset, return (12-month stock's return), ebitda (log), firm's market value (log), net debt (log) and dividend yield. In all equations it is used a 1-year post-treatment period (2017) and a 6-year pre-treatment period (2011 to 2016). Standard errors (in parentheses) are clustered at the firm level; p-values are described as: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Variables	(1) Full Sample	(2) Novo Mercado	(3) RV Users
RemoteVote	24.81*** (8.870)	31.25** (13.05)	32.83*** (10.70)
Size	-1.378 (2.947)	-1.863 (5.032)	-1.003 (3.381)
Liquidity	1.613 (3.329)	5.334 (5.673)	1.761 (3.504)
ROA	-0.158 (0.159)	-0.591 (1.036)	-0.210 (0.175)
Return	-0.004*** (0.0008)	-0.0505 (0.0493)	-0.003*** (0.0008)
Ebitda	0.722 (2.223)	0.805 (3.469)	2.334 (2.412)
Market value	-0.273 (1.684)	-0.661 (3.869)	-1.583 (1.862)
Net debt	-2.040 (1.924)	-2.733 (4.809)	-3.496 (2.269)
Dividend yield	-0.213 (0.206)	-0.752** (0.317)	-0.386* (0.223)
Constant	28.29* (14.35)	39.29 (25.78)	34.99** (15.31)
Observations	1,463	763	1,344
R-squared	0.089	0.116	0.116
Number of firms	209	109	192
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes

Table 10 – DiD estimates for board independence

The table reports OLS regression estimates of the percentage of independent directors (number of independent directors divided by board size) using a DiD identification strategy. RemoteVote_{*i,t*} is the variable that represents the effect of remote voting on the number of foreign casted dissident votes, obtained as the interaction of Time_{*t*} (post-adoption dummy variable) and Indices_{*i*} (dummy indicating participation in a stock exchange index whose components mandatorily adopted the remote voting mechanism). In a Firm and Year Fixed Effects setting, the last two dummies are dropped. Full sample comprises 306 companies. 88/88 Approach regards the use of a sub-control group of 88 companies that both treatment and control groups share similar corporate governance structure. Novo Mercado and Nivel 2 companies have similar rules regarding board independence, they sum up to 129 companies - 63 treated companies. The control group composed by 130 Latin American companies includes firms from Argentina, Colombia, Chile, Peru and Mexico. In the “Inverse” Difference in Differences approach, the control group becomes the set of companies that adopted distance voting in 2017, while the treatment group is comprised by the companies which mandatorily adopted the same mechanism in 2018 (for the first time). The identifying assumption in this case is that the short-term impact of remote voting should be greater for the 2018 adopters compared to the 2017 adopters. Firm and Year Fixed Effects are used in all equations. Control variables account for firm size, liquidity, profitability, and leverage. A 6-year pre-treatment period is used in all equations except (4). Standard errors (in parentheses) are clustered at the firm level; p-values are described as: *** p<0.01, ** p<0.05, * p<0.1.

	(1)	(2)	(3)	(4)	(5)
RemoteVote	4.33**	4.37*	4.75**	4.67***	6.32***
Full Sample	Yes	No	No	No	No
88/88 Approach	No	Yes	No	No	No
Novo Mercado and Nivel 2 companies	No	No	Yes	No	No
Latin American companies as control	No	No	No	Yes	Yes
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Control Variables	Yes	Yes	Yes	No	No
“Inverse” Difference in Differences	No	No	Yes	No	No
6-year pre-treatment period (2011-2016)	Yes	Yes	No	Yes	Yes
1-year pre-treatment period (2017)	No	No	Yes	No	No
1-year post-treatment period (2017)	Yes	Yes	No	Yes	No
1-year post-treatment period (2018)	No	No	Yes	No	No
4-year post-treatment period (2017-2020)	No	No	No	No	Yes

Table 11 - Main reasons for investors' dissident voting

This table reports the number of poor disclosure, board independence and ESG-related as reasons for voting against a given proposal, from 2012 to 2022. There are also the proportions of these two variables given the total number of dissident voting in each year for Brazilian companies. Data is from Insightia.

Year	Poor		Board		ESG-		Total
	Disclosure	Proportion	Independence	Proportion	related	Proportion	
2012	31	8.3%	92	24.6%	0	0.0%	374
2013	205	31.1%	245	37.1%	0	0.0%	660
2014	112	9.3%	185	15.3%	0	0.0%	1206
2015	93	8.1%	133	11.6%	0	0.0%	1145
2016	114	10.9%	244	23.4%	1	0.1%	1044
2017	211	18.1%	346	29.7%	2	0.2%	1165
2018	1794	42.6%	1151	27.4%	4	0.1%	4208
2019	2440	34.7%	1490	21.2%	62	0.9%	7032
2020	2611	38.2%	1501	22.0%	56	0.8%	6837
2021	6082	29.4%	7549	36.5%	1796	8.7%	20661
2022	3720	30.1%	3913	31.6%	223	1.8%	12378
Total	17413	30.7%	16849	29.7%	2144	3.8%	56710