EFFECTS OF BOARD MEMBERS 'CONNECTION TO THE AGREEMENT OF SHAREHOLDERS

Effects of the involvement of counselors to the agreement of shareholders to the values of the firm

Effects of the binding of advisors on the value of the firm

MARINA GELMAN [1]

LUIZ RICARDO KABBACH DE CASTRO [2]

VALENTIN SEIDLER [3]

[1] Master in Law from Fundação Getulio Vargas, São Paulo Law School - São Paulo - SP, Brazil. marinaogelman@gmail.com

[2] Professor at the University of São Paulo, São Carlos School of Engineering - São Carlos - SP, Brazil. luiz.kabbach@sc.usp.br

[3] Professor at the Universität Wien, Institut für Internationale Entwicklung - Vienna, Austria. valentin.seidler@univie.ac.at

SUMMARY

This article aims to analyze the effect of the clauses that bind the directors' vote to the shareholders agreement on the firm's value. From a database of 181 companies listed in the special segments of BM & FBovespa between 2008 and 2012, we studied the effect of including generic and specific voting bond clauses on the value of the companies. We found a negative effect of the shareholders agreement on the firm's value, which is accentuated in the presence of generic clauses and softened in the presence of specific voting bond clauses to the shareholders agreement. These results are consistent even controlling for the endogeneity of the decision by the shareholders agreement. Thus, the results point to a "entrenching effect" of controlling shareholders in the use of shareholder agreements as a mechanism for sharing control and voting. This article contributes to the corporate governance and finance literature by revealing practices that undermine the performance of one of the main pillars of governance, the board of directors.

Keywords: Shareholder Agreements; binding clause; firm value; New market; corporate governance

ABSTRACT

This study analyzes the effect of shareholders' agreement binding provisions on firm value. Using a database of 181 publicly listed firms from the special segments of the BM & FBovespa, between 2008 and 2012, we analyze the effect of the inclusion of generic and specific clauses into the shareholder agreement bind director's vote to the agreement on firm value. The results indicate a negative effect of the shareholders' agreement on firm value. This effect is higher in the presence of generic clauses and lower in the presence of specific clauses, even after controlling for the endogeneity of the shareholders' decision to adopt shareholder agreements. The results allow us to conclude that controlling shareholders use the shareholder agreements as a mechanism to enhance control at the expense of firm value (entrenchment effect). This article contributes to the literature on governance and corporate finance to reveal practices that weaken the role of one of the main pillars of governance, the board of directors.

Key words: Shareholder agreements; binding provisions; firm value; New market; corporate governance

RESUMEN

The purpose of this article is to analyze the effect of the clauses that bind the voting of the shareholders to the shareholders' agreement in the value of the firm. From a database of 181 companies listed in the special segments of BM & FBovespa between 2008 and 2012, we studied the inclusion of generic and specific voting bond clauses in the value of the companies. We note a negative effect on shareholder agreement, which is accentuated by the presence of generic clauses and mitigated by the presence of specific voting bond clauses.

These results are consistent with controlling for the endogeneity of the decision by the shareholders. Thereby, the results point to the "effecting" of the controlling shareholders and the use of the shareholders' rights as a controlling and voting sharing mechanism. This article contributes to the literature on governance and corporate finance in revealing practices that weaken the performance of one of the main pillars of governance, and the means of administration.

Keywords: Shareholder agreements; binding clause; firm value; Nuevo Mercado; corporate gobernanza

INTRODUCTION

From the 1998 financial crises in Russia, Asia, and Brazil, the world has experienced that the actions of large corporations are capable of affecting entire economies, as indeed they have been, as the entire world financial system has been shaken in its stability. for issues of fragility in corporate governance practices (Claessens, 2006).

Berle and Means (1932) and Jensen and Meckling (1976) place at the center of this discussion the separation between ownership and control of companies, assuming that the central problem of corporate governance lies in the relationship between ownership structure and conflicts of interest at the top. company management. Empirical studies in different countries try to clarify what these conflicts are and how they are resolved. In the United States and the United Kingdom, the governance problem is related to the conflict between minority shareholders and managers, where ownership structure is dispersed and institutional investors are more recurrent (Coffee, 2001). On the other hand, the fundamental problem of corporate governance in emerging countries, including Brazil, and in most parts of the world is different from that observed in Anglo-Saxon countries (Claessens, Djankov, & Lang, 2000 ; Faccio & Lang, 2002 ; La Porta, Lopez-de-Silanes, & Shleifer, 1999). In these countries, the ownership structure of publicly traded companies is more concentrated, and they generally have a majority shareholder, often an individual or family, who holds the majority of the company's voting rights. For example, in Brazil, the companies listed on the BM & FBovespa mostly have majority shareholders holding the majority of voting capital (Aguilera, Kabbach, Lee, & You, 2012 ; Aldrighi & Mazzer-Neto, 2007 ; Aldrighi & Postali, 2010 ; Leal & Carvalhal-da-Silva, 2007), where the main governance problem concerns the conflict of interest between controlling and minority shareholders.

One of the mechanisms used to increase the controlling power of shareholders is the shareholders agreement (AA) (La Porta et al, 1999). AA is a contract between shareholders of a particular company aimed at reconciling individual interests and establishing rules for acting in society (Eizirik, 2011). In general, these agreements are an attempt by shareholders to effectively control company decisions and management. While, of course, shareholders exercise their stakes in management by voting at general meetings, AAs serve to compose shareholder interests that, by themselves, could not influence the company's destiny (Wright, 1971). For example, by means of a voting agreement, the convening shareholders are required to vote en bloc, either for or against a particular meeting resolution, or to establish that their members will vote together to elect the board of directors. Or, the shareholders may enter into a control agreement that brings together the shareholders, who together hold the number of voting shares that ensures them the power to elect the majority of directors.

These agreements play an important role in corporate governance in a number of countries, including the United States and European countries (Baglioni, 2010 ; Chemla, Habib, & Ljungvist, 2007). In Europe, Capresse, Clerc and Becht (2007) show that AA is used in 14% of the 464 companies analyzed as a mechanism to achieve control power. The countries where AAs are most frequent are: Belgium (31% of companies), Italy (23%), France (18%) and Spain (13%). Gomes and Novaes (2006) report that of a random sample of 115 US public companies, 46% have AAs regarding veto power, voting arrangements and board control. In Brazil, Gorga and Gelman (2012) and Carvalhal-da-Silva (2012) report the increasing use of this mechanism in national companies.

These differences in ownership structures, and their control mechanisms, observed across countries, have two important implications for corporate governance. On the one hand, in companies with large capital, because of a collective action problem, minority shareholders have no incentive to collect information and supervise managers. One way to reduce information asymmetry between *insiders* and *outsiders* and improve corporate governance is to ensure that a company has at least one majority shareholder. Such a shareholder, with a substantial fraction of ownership and control, would have the incentive to bear the economic costs of monitoring and the power to discipline managers. On the other hand, a high concentration of ownership (and control) in the hands of a single shareholder (or a small group of shareholders) leads to another problem: the conflict of interest between minority and majority shareholders is more pronounced (Morck, Wolfenzon, & Yeung, 2005 ; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008).

In this context, the board of directors, due to its role of monitoring and supervising the management of companies, is considered a central mechanism of good corporate governance capable of mitigating the weaknesses of the management process of a company (Enriques & Volpin, 2007). To fulfill this role, however, it is relevant that the board can act in a professional, technical, influence-free and therefore independent manner. If companies have a dispersed ownership structure or are controlled by a majority shareholder, the danger is that the board of directors, rather than representing the interests of the company (and thus also the minority shareholders), will have close links with the company. management (or the majority shareholder) with which it regularly interacts, losing its independence when its function is to monitor it.

In Brazil, while current legislation creates a duty of independence for the member of the board of directors, it paradoxically allows shareholders to compose themselves through AAs to coordinate not only their vote but also the vote of their directors elected by them under these agreements.

Thus, the objective of this article is to assess whether the existence of binding voting clauses of directors to AA conditions the performance of companies listed in BM & FBovespa's special segments, based on their market value. To do this, we analyze the effect of AAs on the value of companies. In this respect, this study resembles that of Carvalhal-da-Silva (2012) . While the author develops an index to measure the degree of investor protection afforded by the agreements and their impact on firm value, our work builds on the relationship between AA and firm value and extends the analysis to capture the moderating effect of the presence of investment clauses. bond of the council vote (Baron & Kenny, 1986).

By analyzing the effect of the presence of generic and AA-specific binding clauses on firm value, we intend to empirically and economically assess the impact of the revision of Brazilian legislation, which, since 2001, allowed the use of these governance mechanisms and, thus, , contribute to the legal debate on the effectiveness of this capital market planning.

The paper is organized as follows: The next section provides a review of the literature on AAs and presents the study hypotheses. In the following, we detail the methodology used, as well as describe the sample and the variables used, whose results are presented in the following section. Finally, we discuss the results and conclude by presenting some implications, limitations and suggestions for future studies.

LITERATURE REVIEW AND HYPOTHESES

The Brazilian Legal Context of Shareholder Agreements

In Brazil, since 1976, with the advent of the regulatory framework represented by the Brazilian Corporate Law (Law No. 6.404 / 1976 - LSA), the management format of a publicly traded company is divided into three political instances: shareholders, the board of directors and the board of executive officers. Moreover, in publicly traded companies, this tripartition of powers is compulsory, so there is no publicly traded company in Brazil without a board of directors.

The intention of the legislators when the compulsory creation of the board of directors in publicly traded companies was to ensure the representation of the shareholders' meeting in this body, which is the largest administrative instance of a company (Reason 196, of June 24 Ministry of Finance). On the other hand, and in the same sense of promoting the protection of the minority investor, the LSA attributed to the Board of Directors, in addition to other duties that are not the object of this study, the duty of independence. Thus, according to the law, members of the board of directors must always act in the interest of the company, not in defense of any other interested party, not even its constituents.

It turns out that the same LSA that creates the obligation of an independent management body gives the shareholders of a company the opportunity to align their vote and, moreover, to determine the vote of the directors they elect through AAs.

Since its inception in 1976, the LSA has provided that AAs dealing, among other things, with the exercise of voting rights should be observed when filed at corporate headquarters. However, the LSA did not explicitly address the possibility that the votes of the members of the board of directors would be bound by the prior decision of the shareholders of the AAs. In 2001, the performance of the board of directors was profoundly impacted by the reform of the LSA by introducing two specific paragraphs (§§ 8 and 9 in article 118), which, in order to give AAs more executive force and effectiveness, made it mandatory the observation of AAs by company managers. In particular, these new paragraphs provide that: (a) the member of the board of directors, elected by parts of an AA, who may disagree with a decision previously made and thus vote differently from that indicated by the group signing the agreement, shall not have his vote counted by the chairman of the board (§ 8), and (b) assure the aggrieved party - by the lack of vote of the absent or abstaining shareholder or director - the right to vote for the absent or abstained (Paragraph 9).

Thus, not only the dissenting vote of the board member cannot be counted, but also another member, elected by the same group of shareholders from the AA, will have the right to vote for him. With these legal provisions, the normative system consolidated the binding force of AAs and brought to light the debate between compatibility of the duty of independence and the binding of administrators to AAs.

From a legal point of view, there are two interpretations of the effect of this potential paradox between duty of independence and binding voting. On the one hand, there are authors who argue that the duty of independence is compatible with the binding vote of the administrators because the control agreement serves the social interest, so that the binding of the administrators to the exercise of the vote in compliance with the social interest is fully according to their duty of independence (Aragão, 2002 ; Carvalhosa, 2009 , 2011 ; Eizirik, 2003 ; Pedreira, 2002).

On the other hand, there are those who understand that the reason for reconciling the two provisions is based on a systematic interpretation of the law and that, considering the duty of independence as unwavering, they understand that the administrators have their vote tied to the AA, but maintain their independence. to refrain from such an obligation whenever it is perceived that its fulfillment is contrary to the social interest (Adamek, 2009 ; Cerezetti, 2010 ; Solomon, 2006 ; Wald, 2001 , 2002a , 2002b).

In the end, this debate is divided into three doctrinal groups: (i) those who understand that there is no incompatibility between the respective legal provisions because, in short, the interest of the control group is the social interest itself and thus serves it is nothing but the duty of the administrators; (ii) those who consider that there is no incompatibility because, since the duty of independence has not been revoked, the director, even when bound by a shareholders' agreement, may resist the obligation to comply with the agreement on behalf of the said duty of independence; and (iii) those who understand that the two provisions are incompatible and that the introduction of paragraphs 8 and 9 in article 118 of the LSA created a rule that undermines the duty of independence (Bocater & Camargo, 2001 ; Franco, 2001 ; Toledo, 2002).

But what would be the economic effect of this legal debate?

The economic effect of shareholder agreements and binding clauses

From an economic perspective of corporate governance, Hart (1995) argues that a governance problem in public companies emerges when there is an agency problem (a conflict of interest between the "principal" - the shareholders - and the "agent" - the managers) which cannot be resolved by contract. Berle and Means (1932) and Jensen and Meckling (1976) argue that, to resolve these conflicts of interest, companies incur costs, and define agency costs as the sum of the costs of monitoring agent activities by principal, costs of drafting the contract between the agent and the principal and residual loss arising from decisions of the agent contrary to the interests of the principal.

Thus, corporate governance mechanisms were developed to minimize these agency costs. In particular, given that minority shareholders have little incentive to monitor management, authors have suggested that a majority shareholder would be sufficient to improve corporate governance (Hart, 1995 ; Shleifer & Vishny, 1986). . In practice, several studies show a significant concentration of ownership and the existence of these majority shareholders in Germany (Franks & Mayer, 2001), Japan (Berglöf & Perotti, 1994), Europe (Faccio & Lang, 2002), Asian countries. (Claessens et al, 2000), in developing economies (La Porta et al, 1999), and Brazil (Aguilera et al, 2012 ; Aldrighi & Mazzer-Neto, 2007 ; Aldrighi & Postali, 2010 ; Leal & Carvalhal-da -Silva, 2007).

However, a majority shareholder may not have the necessary incentives to monitor management, since the monitoring cost is borne only by management, while the benefits are enjoyed by all shareholders (Grossman & Hart, 1980). Or, a majority shareholder can use its power to improve its position at the expense of other shareholders, giving rise to another agency problem related to the conflict of interest between minority and majority shareholders (Burkart, Gromb, & Panunzi, 1997).

Thus, through a shareholder agreement, a new governance structure emerges, in which multiple shareholders can enjoy private benefits and minority shareholders do not need to rely on the good faith of a single controlling shareholder who takes care of their interests. From an economic perspective of corporate governance, AAs can have two fundamental consequences.

On the one hand, shared control can increase business value for two reasons. First, by increasing their ownership in the company, signatory shareholders have the power and economic incentives to increase company value and to monitor managerial behavior, reducing agency costs, the so-called "incentive effect" (Claessens, Djankov, Fan, & Lang, 2002 ; Gomes & Novaes, 2006). Second, problems of collective bargaining among covenant shareholders reduce the possibility for the controlling block to make decisions that benefit the group over minority interests (Gomes & Novaes, 2006). Thus, it is proposed:

H1a. Shareholder agreements have a positive effect on the value of companies (incentive effect).

On the other hand, this increase in control might lead to a number of other agency problems, particularly those related to divergence of interests between majority and minority interests, where AAs signatory shareholders can derive private control benefits to the detriment of their interests. minority shareholders, the "entrenchment effect" (Morck et al, 2005).

In particular, in economies where investor protection is lower, as in the case of Brazil, the control premium is higher (Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2008), indicating that somehow The market prices some private control benefit that could not be enjoyed by all shareholders. Thus, the existence of agency conflicts and high private control benefits in Brazilian public companies prevents us from assuming that AAs will always be in the company's social interest (and, consequently, minority interests).

Although there are institutions and laws that protect minorities, as in developed countries, the possibility of legally expropriating the majority shareholder is not only possible but real (Johnson, La Porta, Lopez-de-Silanes, & Shleifer, 2000). Johnson *et al* . (2000) cite that "legal expropriation" can occur in a number of ways, including: transfer pricing favoring the controlling shareholder (or block), transfer of assets between related companies, acquisitions at divergent market prices and loan guarantees using Company's assets, the most common being dilution of minority shares.

These authors further identify that in countries where legal origin is based on Roman civilist law, the expropriation of minority shareholders by the controlling shareholder (or control block) is often seen as consistent with the fiduciary duties of managers, especially when It involves companies from the same economic group. Thus, an expropriation activity is analyzed in the light of its compliance with the company's bylaws, and not based on equity between the controlling and minority shareholders. In this context, AAs can be interpreted as controlling shareholder mechanisms to increase private control benefits. Given the above, it is proposed:

H1b. Shareholder agreements have a negative effect on company value (entrenchment effect).

The foregoing analysis assumes that AAs alone could have some effect, positive or negative, on business value. However, even if necessary, this analysis would not be sufficient to identify the effect on company value, as there may be clauses that facilitate or reduce the controllers' private control benefits.

For example, in institutional environments with low minority protection, shareholders may resort to clauses that bind, *ex ante* , the votes and decisions of the signatory shareholders, and even more of the directors and directors. Enrique and Volpin (2007) demonstrate that the voting bond of shareholders and managers in European companies serves as instruments to increase the control power without direct relation to minority benefits. Moreover, as a result of these practices, in Italy, in 1998, a regulatory reform (*Dragui Law*) restricted the use of voting clauses.

In Brazil, as of the 2001 LSA review, the legislation allows AA signatory shareholders to bind the agreement, in an indiscriminate and universal (generic) manner, to the votes of the shareholders and managers indicated by them in the company's collegiate decisions. Such a binding voids the directors' power of independence to make decisions in accordance with their fiduciary duty to the company's social interest, thus preventing those AA-bound directors from monitoring management, but now exercising it on behalf of the board. of the signatory shareholders.

Thus, the power of control and, above all, the power over the decisions of the directors (vote), which allows to determine the strategies of the companies, such as dividend policies, investments, capital allocation, among others, that ultimately affect the value may make decisions to the detriment of maximizing company value to provide the private benefits of the signatory shareholders, leading us to the following hypothesis:

H2. With the presence in the shareholders' agreement of clauses that bind the directors' votes in an indiscriminate manner (generic bond), the positive (negative) effect of the shareholders' agreement on the firm's value will be less positive (more negative) (entrenchment effect). .

Finally, the very logic of the AA presupposes the existence of clauses that regulate it, and, in this sense, it is necessary to analyze, in particular, the one that binds the vote of the signatory shareholders, and the directors appointed by them, the specific, relevant and extraordinary matters. , expressly provided for in the agreement.

Considering that the purpose of AA is to compose individual interests and to establish rules of action in society, the specific binding of *ex-ante* voting on relevant matters aims to eliminate uncertainties, *ex-post* , arising from renegotiation of issues that, in principle, defined the object of the agreement. In this sense, the New York Court, in the Manson *v.* Curtis case, postulated that "shareholders have the right to combine their interests and voting powers to ensure control and to ensure the adoption and adherence to these interests of specific policies and decisions. related to business "(Wright, 1971, p. 502).

Chemla *et al.* (2007) argue that in a context of agency problems and dynamic moral hazard where contractors - shareholders - can renegotiate all future situations, the voting bond in specific matters allows an efficient allocation of signatory shareholder investments at the time of signing. of the agreement (*ex ante*). This is simply by restricting a costly renegotiation process to the company and shareholders. Thus, in the absence of these clauses, the value of the investments on the date of the agreement would be distorted by the unrestricted possibility of renegotiations aimed at the particular benefit of isolated parties to the shareholders agreement in the future, which leads us to the following hypothesis:

H3 With the presence, in the shareholders' agreement, of clauses that specifically bind the directors' votes to extraordinary matters provided for in the agreement itself (specific link), the positive (negative) effect of the shareholders' agreement on the firm's value will be more positive (negative) (incentive effect).

In summary, we propose that the shareholder agreements may aim to bring to the control group an investor who, being a party to the agreement, may monitor the majority shareholders for the benefit of the entire shareholder community and therefore AA will have a positive effect. in the value of the company (H1a). On the other hand, AA can also serve as a facilitator for the signatory parties to expropriate minority shareholders, which would have a negative effect on the firm's value (H1b). However, we expect that the presence of indiscriminate and universal (generic) bond clauses will negatively moderate the effect of AAs on the firm's value and that the presence of special-bond clauses that are subject to the agreement will positively moderate the effect of AAs on the value of the firm. of the firm. Such statements can be seen in Figure 1 .

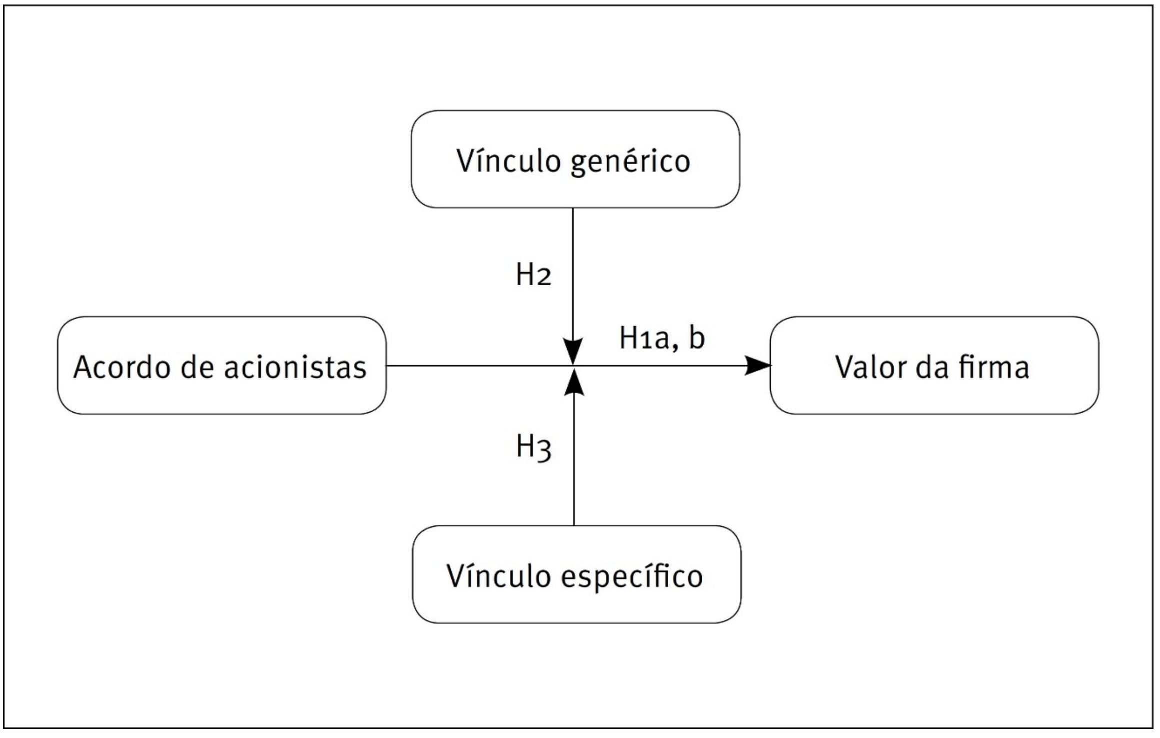

Figure 1 Analytical scheme of the relationship between shareholder agreements and firm value

DATA, VARIABLES AND METHODOLOGY

In order to analyze the effect of the binding of directors' votes to AAs on the value of companies listed in BM & FBovespa's special segments (New Market, Level 2 and Level 1), we used data from the 181 companies listed in these special segments in 2012. Information on AAs clauses was obtained directly from the analysis of these agreements, accessed through the website of the Brazilian Securities Commission (CVM) where they are filed.

The accounting and market data of these same companies were collected in the Economatica database, between 2008 and 2012, period for which we identified the validity of these agreements. Based on the integration of this data - AAs clauses and accounting and market data - and due to the lack of information in the Economatica database, we reduced our sample to an unbalanced panel of 644 observations, generated by 149 companies, 105 companies in the Novo Mercado. , 15 at Level 2 and 29 at Level 1.

Our sample differs significantly from the study by Carvalhal-da-Silva (2012) , since in that study we also observe the behavior of companies in the traditional governance segment, where practices based on international governance standards are not required. In this study, we consider only special segment companies, those that have opted for stricter corporate governance practices, for example, the exclusive issuance of voting shares, or practices that favor the dispersion of ownership and control, independence of directors and information disclosure - orthogonal to the objectives of the AAs.

Dependent variable

For the stock market, it is common to use Tobin's Q variable as a proxy for company value. This variable is based on the sum of the company's market value and its short- and long-term debt relative to the book value of assets (Chung & Pruitt, 1994). However, this measure is used for studies of non-financial corporations in which these measures can be compared (Lee & Tompkins, 1999 ; Lewellen & Badrinath, 1997). Considering that our sample is composed of both financial and non-financial companies, the *market-to-book* ratio *(B / W)* , which measures the ratio between the company's market value and its book value, was chosen as a measure of company value. (Fama & French, 1992).

Independent variables

To measure the effect of shareholder agreements and "generic" and "specific" board voting clauses, we separate companies from differentiated governance segments (New Market, Level 2 and Level 1) between those with or without AAs through variable "AA" (binary variable that takes value 1 if the company has AA and zero otherwise). Next, we differentiate AAs from those with or without binding voting clauses of board members to the interests of signatories by the "Bond" variable (binary variable that takes a value of 1 if the company has AA with binding voting clauses of the board and zero, otherwise). Finally, we differentiate the clauses between "generic" and "specific," by means of the "Specific Bond" variable (binary variable that takes a value of 1 if the company has AA with specific matters voting bond clauses and zero if it has generic bond clauses).

Control Variables

Ownership structure. Considering that AAs mainly take the form of voting and controlling agreements, it is essential to control the percentage ownership (percentage of cash flow rights) and control (percentage of voting rights) of the five largest shareholders of the company. For this, the variables "Vot 1" (percentage of voting shares of the largest shareholder), "Tot 1" (percentage of total shares of the largest shareholder), "Vot 4" (percentage of shares with voting rights) were created. voting by the second, third, fourth and fifth largest shareholders), "Tot 4" (percentage of total shares held by the second, third, fourth and fifth largest shareholders).

Quality of corporate governance. Considering that the special listing segments of BM & FBovespa - New Market, Level 2 and Level 1 - were created with the objective of enhancing the quality of corporate governance through governance practices that are stricter than the legal requirements of the LSA, and that the segment "New Market" is the strictest of the three, we take "NM" as a proxy for corporate governance quality. A binary variable that takes a value of 1 if the company is listed on the New Market, and zero if it is listed at levels 1 or 2.

Financial leverage. We measure the financial leverage, variable "Leverage", by the ratio between the book value of total financial debt and total assets. Both the company's financial leverage and other accounting variables were incorporated into the estimation model, as they are directly associated with the companies' market value, as observed in other empirical studies on corporate governance and firm value (Carvalhal-da- Silva, 2012 ; Leal & Carvalhal-da-Silva, 2007 ; Silveira, Barros, & Famá, 2006).

Profitability of the company. The variable "ROA" measures return on assets through the ratio of EBITDA to total assets.

Company Size: We measure company size by the natural log of the book value of total assets (Size).

Company risk: We measure risk by standard deviation of the ratio between the closing prices of date (*t*) and date (t *-1*) on an annual basis (Risk).

Sector: Considering that there are differences between the observed variables in relation to the various industrial sectors, we also control for the sector effect through (*n-1*) binary variables for the n different sectors of the sample, considering "Manufacturing Industry" as a reference sector. .

Identity of the largest shareholder: Considering the importance of the different types of controlling shareholders in Brazil (Aguilera et al, 2012), we control for the shareholder effect through binary variables where companies whose largest shareholder is "Families" were considered reference category.

Type of AA: In Brazil, AAs are primarily motivated to establish: (i) preference and block for the acquisition of shares, (ii) exercise of voting rights and (iii) control power. Thus, we control the "agreement type" effect through categorical variables, considering "control agreements" as a reference category.

Descriptive Analysis

Table 1 , Panel A, shows the descriptive statistics of the variables used comparing the averages between companies with or without AA and, among those that have, those with and without the vote of directors to AAs.

Table 1 Comparison between companies with and without shareholder agreements and binding clauses

Panel A: Comparison between means of dependent, independent variables and controls							
Variables	**Description of Variables**	**Companies without Shareholders Agreements (Medium)**	**Companies with Shareholders Agreements (Medium)**	**Wilcoxon Test (p-value)**	**Companies without Binding Clauses (Average)**	**Companies with Binding Clauses (Medium)**	**Wilcoxon Test (p-value)**
B / W	Market value / book value	2.15	2.05	0.43	2.22	1.98	0.10
Vote 1	% of votes of largest shareholder	43.38	42.16	0.89	48.90	38.58	0.00
Tot 1	% Ownership of largest shareholder	36.74	35.00	0.56	42.25	31.13	0.00
Vote 4	% of votes from 2nd to 5th largest shareholder	15.42	20.63	0.00	13.75	24.30	0.00
Tot4	% Ownership of 2nd to 5th largest shareholder	15.55	20.20	0.00	15.09	22.91	0.00
NM	New market	0.77	0.64	0.00	0.68	0.62	0.13
Leverage	Leverage	0.54	0.60	0.00	0.60	0.59	0.43
ROA	Profitability	0.85	2.12	0.00	1.32	2.50	0.00
Size	Size	7.43	7.77	0.00	7.46	7.83	0.04
Risk	Risk	43.01	41.10	0.16	41.03	41.13	0.93
Fam	Individuals / Family	0.49	0.60	0.00	0.74	0.52	0.00
For	Foreign investor	0.22	0.19	0.23	0.13	0.22	0.02
Gov	Government	0.08	0.10	0.22	0.06	0.13	0.02
Inst	Institutional investor	0.20	0.10	0.00	0.06	0.13	0.02

Panel B: Distribution of Companies with and Without Shareholder Agreements and Binding Clauses by BM & FBovespa Listing Segment						
BM & FBovespa Special Listing Segments	**Companies without Shareholder Agreements**			**Companies with Shareholders Agreements**		
	Companies without Binding Clauses	**Companies with Binding Clauses**	**Total**	**Companies without Binding Clauses**	**Companies with Binding Clauses**	**Total**
Level 1	15	-	15	6th	12	18 (33)
Level 2	5th	-	5th	3	11	14 (19)
New market	64	-	64	22	37	59 (123)
Total	84	-	84	31	60	91 (175)

Note: The p values for the Wilcoxon rank equality sum test presented are non-parametric tests and therefore do not require the normality of the variables.

In general, the variables used in this study present significant differences between the various groups of companies. We observed that the average market value is significantly different between companies with (1.98) and non-voting (2.22), but not statistically significant for companies with (2.05) and without (2.15).) AAs.

According to previous studies on ownership structure in Brazilian companies (Aldrighi & Mazzer-Neto, 2007 ; Aldrighi & Postali, 2010 ; Leal & Carvalhal-da-Silva, 2007), ownership structure is highly concentrated, and control groups they are structured through mechanisms of separation of ownership and control. In general, the largest shareholder has more voting rights (Vot1) than cash flow (Tot1) in both types of companies. In particular, in companies with binding clauses, the participation of the four largest shareholders (Vot4) is significantly higher than in companies without these clauses, while the participation of the largest shareholder is smaller. In part, one of the reasons for these clauses may be the alignment between the signatory shareholders with the least voting power, but which together represent a greater bargaining power with the largest shareholder.

DO NOT CITE
ENGLISH TRANSLATION GENERATED BY GOOGLE

On average, companies with binding clauses are significantly larger than those without clauses that bind directors' votes to AAs. In addition, we can see that the proportion of companies without binding clauses in the Novo Mercado segment is higher than those with binding clauses. In part, if the argument that these clauses truly reduce the power of the board by losing its independence, and that the board is an important part of corporate governance, companies at higher levels of governance, such as the New Market, make less use of these clauses.

Regarding the type of majority shareholders, it is observed that when individuals and families, and foreign investors, are among the signatory shareholders of AAs, there seems to be no difference between those companies that use or not the binding clauses. Interestingly, in companies where the government is among the signatory shareholders, the clauses binding the votes of directors are more common (13% *versus* 6%).

In Panel B of Table 1 , we present the distribution of companies by listing segment. 52% (64/123) of the NM companies do not have shareholder agreements, and of those that do, 63% include binding voting clauses of the board.

Table 2 presents the correlation matrix between the variables. In line with the results presented in Table 1 , there is a negative correlation between the presence of binding clauses (and specific binding clauses) and the proportion of voting share and ownership of the largest shareholder, and a positive correlation between these clauses and ownership structure. of the four largest shareholders. In part, this denotes a possible interest of non-controlling shareholders in balancing voting power with the largest shareholder through binding clauses before the firm's strategic issues are discussed in the board. More importantly, the presence of binding clauses is negatively related to the firm's value (P / B). In order to measure the collinearity between the independent and control variables, we calculated the variance inflation factors (VIF) for the variables used, with the mean value being 2.24.

Table 2 Correlations between variables

	Variables	**Mean**	**SD**	**Min**	**Max**	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**
(1)	Price book	2.1	1.7	0.2	7.6	1.00												
(2)	(Price-Book) t-1	2,3	1.8	0.2	7.6	0.74 *	1.00											
(3)	AA	0.5	0.5	0	1	-0.05	-0.05	1.00										
(4)	Bond	0.4	0.5	0	1	-0.09 *	-0.10 *	0.73	1.00									
(5)	Specific Bond	0.2	0.4	0	1	-0.03	-0.04	0.42 *	0.57 *	1.00								
(6)	VOT1	41.5	23.5	0.1	100.0	-0.21 *	-0.22 *	-0.02	-0.08 *	0.04	1.00							
(7)	TOT1	33.5	18.3	0.1	96.8	-0.09 *	-0.10 *	-0.05	-0.13 *	-0.07 *	0.77 *	1.00						
(8)	VOT4	19.0	17.3	0.0	57.9	-0.01	0.04	0.18 *	0.23 *	0.03	-0.41 *	-0.46 *	1.00					
(9)	TOT4	18.6	16.1	0.0	57.4	-0.01	0.03	0.15 *	0.19 *	0.02	-0.33 *	-0.41 *	0.95 *	1.00				
(10)	NM	0.7	0.5	0.0	1.0	0.25 *	0.25 *	-0.14 *	-0.16 *	-0.11 *	-0.48 *	0.03	-0.13 *	-0.12 *	1.00			
(11)	Leverage	0.6	0.2	0.1	1.0	0.07 *	0.09 *	0.11 *	0.07 *	-0.03	0.18 *	0.10 *	0.07 *	0.05	-0.24 *	1.00		
(12)	ROA	1.0	2.4	0.0	51.8	0.15 *	0.15 *	0.08 *	0.03	-0.05	0.00	0.01	0.00	0.01	-0.02	0.07 *	1.00	
(13)	Size	7.8	1.5	4.5	11.8	-0.18 *	-0.22 *	0.09 *	0.13 *	0.06	0.25 *	0.08 *	-0.13 *	-0.17 *	-0.42 *	0.38 *	-0.08 *	1.00
(14)	Risk	42.0	15.5	18.1	124.1	-0.12 *	0.13 *	-0.07 *	-0.04	-0.02	-0.09 *	-0.07 *	0.00	0.00	0.05	0.06	-0.07 *	-0.15 *

Note: Variance inflation factors (VIF), excluding VOT4 and TOT4 used as instruments only, 2.29.

* reports the test of statistical significance of partial correlations with p-value <0.10.

ECONOMETRIC MODEL SPECIFICATION

We define our firm value variable by the ratio between market value and book value (*P / B*) over the years by:

$$P/B_{i,t} = \alpha_0 + \alpha_1 AA_{i,t} + \alpha_2 Vinculo_{i,t} + \alpha_3 Vinculo\ Especifico_{i,t} + \alpha_4 X_{i,t} + \varepsilon_{i,t} \quad (1)$$

Where AA measures the presence of shareholder agreements, Bond identifies the presence of clauses linking the directors' votes to the interests of the signatory shareholders of the agreement, Specific Bond, if the bond clauses are associated with extraordinary matters explicitly defined in agreement $X_{i,t}$ represents the firm's characteristic vector, and $\varepsilon_{i,t}$ represents the error.

Note that, because the Bond and Specific Bond variables exist only if there is a shareholders' agreement, they affect the "strength" of the relationship between AAs and the firm's value, and are therefore moderating variables of this relationship. (Baron & Kenny, 1986).

To estimate Equation (1) , we first examine the effect of AAs and binding clauses on firm value by means of a regression model grouped over the period 2008-2012. Wooldridge (2003) proposes that model choice depends adjusting models to their assumptions. The clustered regression model assumes that the variance of the intercept is zero for the cross-sectional units. Through the Modified Lagrange Multiplier (*Breusch-Pagan*) test, we reject the null variance hypothesis.

Then, to control a possible correlation between Bond i, and the error arising from unobserved variables of the firm and that, as a consequence, may affect the estimation of parameters α_1 and α_2 , we introduce fixed effects of the firm. Using the Hausman test, we tested whether the difference between the fixed and random effects coefficients is not systematic, rejecting the null hypothesis (chi-square 43.72, $p < 0.01$). Preference was therefore given to the fixed effects model over the random effects model.

As Carvalhal-da-Silva (2012) comments, the AA variable captures systematic differences between firms, since, by its endogenous nature, it distinguishes companies with governance characteristics where the potential for divergence between majority and minority shareholders is accentuated. Thus, as a way to address this potential endogeneity problem, we estimate a model of instrumental variables. For this, we consider as instruments the variables Vot4 and Tot4. According to Wooldridge (2003) , a valid instrument must be correlated with the endogenous variable, in this case AA, and, at the same time, not be correlated with the dependent variable, B / W. Table 2 shows that both Vot4 and Tot4 have these characteristics.

Finally, and considering the temporal correlation between the companies' market value, we estimate a dynamic model, *GMM-Sys* , which, while correcting the dynamic effect of the dependent variable, allows at the same time to control the AA endogeneity by through lagged variables as instruments.

RESULTS

Table 3 presents the estimation results. In Model1, the coefficient of the variable measuring the presence of AAs is negative and significant at 0.1%. This result, unlike that reported by Carvalhal-da-Silva (2012) , shows that firms with AAs have lower market value than firms without the same governance instrument, supporting Hypothesis 1b. This result holds for most of the estimated models.

Table 3 Effects of binding clauses on firm value

DO NOT CITE
ENGLISH TRANSLATION GENERATED BY GOOGLE

Dependent Variable: Price / Book Ratio	Model (1)	Template (2)	Model (3)	Template (4)	Template (5)	Model (6)	Model (7)	Template (8)
	OLS AA	OLS AA + Bond	FE AA	FE AA + Bond	IV AA	IV AA + Bond	GMM AA	GMM AA + Bond
AA	-0.560 ***	-0.327 +	-1.935 *	-1,258 **	4.62	3,978	-1,536 ***	-1,385 **
	(-4.516)	(-1,662)	(-2.196)	(-2.789)	(0.369)	(0.347)	(-3.618)	(-3.1877)
Bond		-0.604 **		-2.501 ***		-0,600 *		-3.286 ***
		(-2.620)		(-5.272)		(-2.139)		(-3.894)
Specific Bond		0.484 **		3.013 ***		0.429 *		7,574 ***
		(2,591)		(3,677)		(2,018)		(7,158)
(Price / Book) t-1							0.224 ***	0.089 *
							(5,080)	(2,019)
VOT1	0.003	-0.001	0.028 +	-0.044 ***	-0.011	-0.014	0.031	-0.02
	(0.743)	(-0.151)	(1,666)	(-4.853)	(-0.598)	(-0.786)	(1,132)	(-0.777)
TOT1	-0.013 *	-0.010 +	-0.013	0.057 ***	-0.004	-0.001	-0.038	0.063 *
	(-2.287)	(-1.658)	(-0.482)	(4,883)	(-0.286)	(-0.092)	(-1.496)	(2.292)
NM	0.898 ***	0.785 ***	0.613	0.442	0.801 ***	0.678 ***	2,004 **	-0.062
	(4,866)	(4,328)	(0.466)	(1.351)	(3,533)	(3,364)	(2,644)	(-0.083)
Leverage	1,644 ***	1.720 ***	1.940 *	1.940 *	0.976	1,131	0.199	1,967 ***
	(3,491)	(3,598)	(2,044)	(2,044)	(0.653)	(0.819)	(0.369)	(3,623)
ROA	0.071 ***	0.071 ***	0.273	0.273	0.066 *	0.067 *	0.064 ***	0.122 ***
	(5,336)	(4,584)	(1.457)	(1.457)	(2,111)	(2,121)	(3.505)	(6,553)
Size	-0.159 **	-0.158 **	-0.075	-0.075	-0.144 +	-0.148 *	-0.249 **	-0.617 ***
	(-3.243)	(-3.183)	(-0.312)	(-0.312)	(-1.790)	(-1.975)	(-3.198)	(-7.022)
Risk	-0.019 ***	-0.019 ***	-0.013 *	-0.013 *	-0.017 *	-0.018 *	-0.028 ***	-0.031 ***
	(-3.882)	(-3.896)	(-2.405)	(-2.405)	(-2.335)	(-2.534)	(-8,060)	(-9.791)
Constant	2.901 ***	3.033 ***	0.798	1.087	3.062 ***	3,229 ***	3,681 **	5,929 ***
	(5,900)	(6,056)	(0.200)	(0.684)	(4.432)	(5,083)	(2,606)	(4.432)
Controls By: Industry, Shareholder Type, AA Type	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-Square_Adjusted	0.159	0.162	0.763	0.763	-	-	-	-
Comments	644	644	644	644	644	644	638	638
AIC	2415.02	2410.31	1722.00	1722.00				

Note: Where $^{+, *, **, ***}$ represent the level of statistical significance at 10%, 5%, 1%, and 0.1% respectively.

In this study, we included the Bond and Specific Bond variables - which measure the presence of clauses linking the directors' vote to the interests of the signatory shareholders of AA. In Model 2, the AA coefficient remains negative, while the Link variable has a negative coefficient and the Specific Link variable has a positive coefficient, both significant at 1%. On the one hand, the presence of generic bond clauses negatively moderates the effect of AAs on firm value, making it more negative, supporting the "entrenchment" effect postulated by Hypothesis 2. On the other hand, the presence of specific bond clauses presents a less negative value than generic binding clauses, as proposed by Hypothesis 3. These results hold for the various estimation models, especially when we control by the endogeneity of the AA decision, Models 6 and 8. In other words, the " entrenching effect "seems to predominate over" incentive effect, "in the presence of generic clauses, while this result tends to reverse in the presence of extraordinary matter-specific clauses in AA.

Following the literature on the effect of adoption at different levels of governance on firm value (Braga-Alves & Shastri, 2011 ; Carvalho, 2003), we found a positive and significant effect of the Novo Mercado (NM) variable on firm value measured by the ratio B / W On the other hand, the result of ownership structure (voting rights, *Vot1* , and cash flow, *Tot1*) is controversial, varying marginally between positive and negative values, without statistical significance, a consistent result in the governance literature (Demsetz & Lehn, 1985 ; Demsetz & Villalonga, 2001), which postulates that ownership structure is determined by the shareholders' preference to maximize their interests - endogenously determined by the firm's value - and should therefore not have a significant effect on the company's value. In fact, Aguilera *et al* . (2012) conclude that, despite Brazilian regulatory efforts and, in particular, the creation of the New Market, to increase efficiency and develop the capital market with a view to greater participation of minority shareholders and thus to promote significant reductions in ownership concentration, the fact is that companies listed on the BMF & Bovespa continue to be highly concentrated in the hands of a small number of owners. In this scenario, where the majority shareholder, or a controlling block, through shareholder agreements, has control over corporate decisions, governance practices play a key role in securing the rights of minority shareholders, especially where legal institutions are not strong enough to guarantee contractual rights (Claessens & Yurtoglu, 2013).

Among the other control variables, company profitability and financial leverage have a positive and significant effect on company value. If, on the one hand, a company with a better operating performance is expected to have a higher value, the positive effect of debt could be considered contradictory. However, it can be argued that such an effect measures the firm's external financing capacity as it is also controlled by risk. Moreover, considering that debt can function as a factor reducing agency problems (Jensen & Meckling, 1976), as it limits the discretion of managers, the market positively prices the level of indebtedness. Finally, the risk also has a significant effect, being perceived negatively by the market.

In general, the results show that the effect of the presence of AAs on firm value can be changed depending on the characteristics of each AA, in particular, the clauses that link the directors' vote to the interests of the signatory shareholders. In this case, the indiscriminate and universal bond clauses, *generic bond* , negatively moderate the effect of AAs - "entrenchment effect" (*H2*), while clauses specific to extraordinary issues relevant to the agreement positively moderate the effect of the agreements on company value, In this case, the results point to the prevalence of the "incentive effect" (*H3*).

DISCUSSION AND CONCLUSION

The literature in Brazil about the effects of AAs on business results and ultimately on their market value is incipient. An exception is the work of Carvalhal-da-Silva (2012) , who analyzes the effect of AA on the value of companies listed on the BM & FBovespa and, moreover, develops an index to measure the quality of these agreements, concluding that AAs increase protection for minority shareholders and, as a result, are beneficial to the value of the firm.

However, Carvalhal-da-Silva's (2012) study appears to be based on a number of optimistic assumptions about the protection afforded to minority shareholders through these agreements, neglecting the fact that most of the company's minority shareholders will not participate in this agreement and On the contrary, it will be subject to the expropriation of private benefits from control by the controlling group constituted by AA.

Thus, our work seeks to analyze in detail the existence of clauses linking the votes of the members of the board of directors to the interests of the signatory shareholders of AA. In addition to the qualitative analysis, we estimated a model to identify the effect of these clauses on firm value. The results show that the positive effect identified in the literature (Carvalhal-da-Silva, 2012) is not observed in a sample restricted to the special listing segments of BM & FBovespa. On the contrary, for these companies, the effect of AAs is negative even controlling for the endogeneity of this decision and the dynamic effect of the value of the companies.

In addition, we identified that this effect is moderated not only by the presence of the clauses that bind the directors' vote, but also by the characteristics of such clauses. Thus, the debate on the effects of AAs needs to consider the reality of the agreements and their practice, the wording of their clauses, in order to reach conclusions appropriate to the context in which such instruments are inserted.

Corroborating the study by Gorga and Gelman (2012) , AAs appear to operate in part - generic clauses - as an instrument of nullifying the duty of independence and compromising the full exercise of board functions. In this context, the interest of the controlling shareholder represented in AA cannot be presumed to be in accordance with the company's social interest, represented by its market value.

While, on the one hand, AA can have a positive effect on firm value through the "incentive effect," where controlling shareholders take a direct interest in the firm's performance, since they have most of their resources. invested in the company, on the other hand, these same controlling shareholders may derive private benefits to the detriment of minority shareholders, resulting in the "entrenchment effect." Thus, from our results, it can be concluded that the predominance of one or another effect on the value of the company occurs through the intrinsic characteristics of the agreement, whatever its binding clauses.

Thus, an important regulatory implication is to make sure that these clauses are oriented to the firm's social interest and not necessarily to the interests of a minority - signatory shareholders. In other words, by allowing signatory shareholders the power to adopt binding clauses, the Brazilian regulator does not protect, *ex ante* , the interests of minority shareholders. In particular, clauses that bind directors' votes indiscriminately (generic binding) are economically detrimental to the value of the company and legally invalid and ineffective (Carvalhosa, 2011 ; Gorga & Gelman , 2012).

LIMITATIONS AND RECOMMENDATION OF FUTURE STUDIES

The sample we use focuses on companies in the special listing segments of BM & FBovespa. While, on the one hand, this allows us to identify differences in a specific group of companies where governance levels are stricter, on the other hand, it reduces the scope of the sample and the variance of the observed variables. In part, this explains some differences from previous studies (Carvalhal-da-Silva, 2012), particularly as regards the estimation models of AAs (without the binding clauses, Models 1, 3, 5, and 7 of Table 3). In addition, the time frame of the sample, which includes a five-year panel, is small. Thus, future studies may enlarge the sample without losing the generality of the analyzes. In particular, an analysis of events on the law that reformed the LSA in 2001 may clarify the effect of regulatory change on corporate governance in the Brazilian capital market.

It would also be interesting to analyze the use of AAs in other countries as a way of identifying the impact and nature of institutional differences in these governance mechanisms. Finally, considering the set of internal and external governance mechanisms, other studies may identify substitution and complementarity effects between AAs and other internal mechanisms.

REFERENCES

Adamek, MV (2009). Civil liability of S / A managers (and related actions). Sao Paulo: Saraiva. [Links]

Aguilera, R., Kabbach, LR, Lee, J., & You, J. (2012). Corporate governance in emerging markets. In G. Morgan & R. Whitley (Eds.). *Capitalisms and capitalism in the twenty-first century* (pp. 319-344). Oxford: Oxford University Press. [Links]

Aldrighi, D., & Mazzer-Neto, R. (2007). Evidence on the ownership and voting structures of publicly traded companies in Brazil. *RBE-Brazilian Journal of Economics, 61* (2), 129-152. [Links]

Aldrighi, D., & Postali, FAS (2010). Business groups in Brazil. In A. Colpan, T. Hikino & J. Lincoln (Eds.). *The Oxford Handbook of Business Groups* (pp. 353-386). Oxford: Oxford University Press. [Links]

Aragon, PC (2002). The discipline of the shareholders agreement. In J. Wolf (Ed.). *Reform of the corporation law: innovations and controversial issues of Law No. 10.303, of 31.10.2001* . Rio de Janeiro: Forensic. [Links]

Baglioni, A. (2010). Shareholders' agreements and voting power: evidence from Italian listed firms. *Applied Economics, 43* (27), 4043-4052. [Links]

Baron, R., & Kenny, D. (1986). The moderator-mediator variable distinction in social psychological research: conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology, 51* (6), 1173-1182. [Links]

Berglöf, E., & Perotti, E. (1994). The governance structure of the Japanese financial keiretsu. *Journal of Financial Economics, 36* (2), 259-284. [Links]

Berle, AA, & Means, GC (1932). *The modern corporation and private property*. New York: Commerce Clearing House. [Links]

Bocater, MI, & Camargo, JL (2001). Orange counselors. *The Globe* , 7. Retrieved on May 20, 2012, from http://www.econ.puc-rio.br/gfranco/CamargoBocater.htm [Links]

Braga-Alves, M., & Shastri, K. (2011). Corporate governance, valuation, and performance: evidence from a voluntary market reform in Brazil. *Financial Management, 40* (1), 139-157. [Links]

Burkart, M., Gromb, D., & Panunzi, F. (1997). Large shareholders, monitoring, and the value of the firm. *Quarterly Journal of Economics, 112* (3), 693-728. [Links]

Capresse, JN, Clerc, C., & Becht, M. (2007). *The report on the proportionality principle in the European Union* . Brussels: European Commission. [Links]

Carvalhal-da-Silva, A. (2012). Do shareholder agreements affect market valuation ?: Evidence from Brazilian listed firms. *Journal of Corporate Finance, 18* (4), 919-933. [Links]

Carvalho, AG (2003). *Effects of migration to Bovespa governance levels* . Retrieved March 4, 2003 from http://www.novomercadobovespa.com.br [Links]

Carvalhosa, M. (2011). The binding of the administrators to the Control Agreement (§§ 8 and 9 of article 118 of the LSA). In A. Wald, F. Gonçalves & MAS de Castro. *Corporations and capital markets* (pp. 41-46). Sao Paulo: Latin Quarter. [Links]

Carvalhosa, MA (2009). *Comments on the corporation law* (Vol. 3, 4th ed.). Sao Paulo: Saraiva. [Links]

Cerezetti, SCN (2010). Independent Directors and Independence of Directors (corporate rules fundamental to stimulating the Brazilian capital markets). In LANM Azevedo. *Control power and other issues of corporate law and capital markets* (pp. 575-593). Sao Paulo: Latin Quarter. [Links]

Chemla, G., Habib, M., & Ljungqvist, A. (2007). An analysis of shareholder agreements. *Journal of European Economic Association, 5* (1), 93-121. [Links]

Chung, KH, & Pruitt, SW (1994). A simple approximation of Tobin's Q. *Financial Management, 23* (3), 70-74. [Links]

Claessens, S. (2006). Corporate governance and development. *World Bank Research Observer, 21* (1), 91-122. [Links]

Claessens, S., Djankov, S., Fan, J., & Lang, L. (2002). Disentangling the incentive and entrenchment effects of large shareholdings. *Journal of Finance, 57* (6), 2741-2771. [Links]

Claessens, S., Djankov, S., & Lang, L. (2000). The separation of ownership and control in East Asian Corporations. *Journal of Financial Economics, 58* (1-2), 81-112. [Links]

Claessens, S., & Yurtoglu YB (2013). Corporate governance in emerging markets: a survey. *Emerging Markets Review, 15* (2013), 1-33. [Links]

Coffee, JC (2001). The rise of dispersed ownership: the roles of law and state in the separation of ownership and control. *Yale Law Review, 111* (1), 1-82. [Links]

Demsetz, H., & Lehn, K. (1985). The structure of corporate ownership: causes and consequences. *Journal of Political Economy, 93* (6), 1155-1177. [Links]

Demsetz, H., & Villalonga, B. (2001). Ownership structure and corporate performance. *Journal of Corporate Finance, 7* (3), 209-233. [Links]

Djankov, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2008). The law and economics of self-dealing. *Journal of Financial Economics, 88* (3), 430-465. [Links]

Eizirik, N. (2003). Shareholders Agreement - filing at the registered office - binding of the managers of a controlled company. *Journal of Commercial, Industrial, Economic and Financial Law, 37* , 45-53. [Links]

Eizirik, N. (2011). *SA law commented.* Sao Paulo: Latin Quarter. [Links]

Enriques, L., & Volpin, P. (2007). Corporate governance reforms in continental Europe. *Journal of Economic Perspectives, 21* (1), 117-140. [Links]

Faccio, M., & Lang, HP (2002). The ultimate ownership of Western European corporations. *Journal of Financial Economics, 65* (3), 365-395. [Links]

Fama, E., & French, K. (1992). The cross section of expected stock returns. *Journal of Finance, 47* (2), 427-465. [Links]

Franco, G. (2001). The new SA Law and the Orange Counselor. *The State of S. Paulo* , 15. Retrieved on May 20, 2012, from http://www.econ.puc-rio.br/gfranco/a125.htm [Links]

Franks, J., & Mayer, C. (2001). Ownership and control of German corporations. *The Review of Financial Studies, 14* (4), 943-977. [Links]

Gomes, A., & Novaes, W. (2006). Sharing control versus monitoring corporate governance mechanisms [Working Paper]. *University of Washington* . Retrieved August 22, 2014 from http://apps.olin.wustl.edu/faculty/gomes/gomesnovaes.pdf [Links]

Gorga, E., & Gelman, M. (2012). *The increasing emptying of the Board of Directors as a result of the binding of its vote to shareholder agreements in Brazil* , [Working Paper]. Retrieved March 31, 2013 from http://www.ibgc.org.br/Download.aspx?Ref=Arquivos&CodArquivo=1121, pp.1-21. [Links]

Grossman, S., & Hart, O. (1980). Takeover bids, the free-rider problem, and the theory of the corporation. *The Bell Journal of Economics, 11* (1), 42-64. [Links]

Hart, O. (1995). Corporate governance: some theory and implications. *The Economic Journal, 105* (430), 678-689. [Links]

Jensen, MC, & Meckling, W. (1976). Theory of the firm: managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3* (4), 305-360. [Links]

Johnson, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer. A. (2000). Tunneling *American Economic Review, 90* (2), 22-27. [Links]

La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (1999). Corporate ownership around the world. *Journal of Finance, 54* (2), 471-517. [Links]

Leal, PRC, & Carvalhal-da-Silva, AL (2007). Corporate governance and value in Brazil (and in Chile). In A. Chong & F. Lopez-de-Silanes (Eds.). *Investor protection and corporate governance: firm-level evidence across Latin America.* Washington, DC: World Bank. pp. 213-288. [Links]

Lee, DE, & Tompkins, JG (1999). A modified version of the Lewellen and Badrinath of Tobin's Q. *Financial Management, 28* (1), 20-31. [Links]

Law no. 6,404, of December 15, 1976 (1976). Retrieved March 31, 2013 from http://www.planalto.gov.br/ccivil_03/leis/l6404compil..htm [Links]

Lewellen, WG, & Badrinath, SG (1997). On the measurement of Tobin's Q. *Journal of Financial Economic, 44* (1), 77-122. [Links]

Morck, R., Wolfenzon, D., & Yeung, B. (2005). Corporate governance, economic entrenchment, and growth. *The Journal of Economic Literature, 43* (3), 655-720. [Links]

Quarry, JLB (2002). Shareholders' agreement on control of groups of companies. Validity of the stipulation that the members of the board of directors of subsidiaries must vote as a block according to the guidance defined by the controlling group. *Banking, Capital Markets and Arbitration Journal* , 5 (15), 226-248. [Links]

Solomon, C. Son. (2006). *The new corporate law* (3rd ed.). São Paulo: Malheiros Publisher. [Links]

Shleifer, A., & Vishny, R. (1986). Large shareholders and corporate control. *Journal of Political Economy, 94* (3), 461-488. [Links]

Silveira, AM, Barros., LABC, & Famá, R. (2006). Corporate attributes, quality of corporate governance and value of public companies in Brazil. *RBFin-Brazilian Journal of Finance, 4* (1), 1-30. [Links]

Toledo, PFCS (2002). Amendments to the Brazilian Corporate Law on the discipline of corporate governance. In J. Wolf (Ed.). *Reform of the Corporation Law* (2nd ed, pp. 423-452). Rio de Janeiro: Forensic. [Links]

Wald, A. (2001). The evolution of the legal regime of the board of directors, the shareholders' agreements and the impediments of the directors arising from conflicts of interest. *RDB-Banking and Capital Markets Journal, 4* (11), 13-30. [Links]

Wald, A. (2002a). The reform of the corporation law: minority rights in the new corporation law (pp. 219-247) In J. Lobo (Ed.) *Reform of the corporation law.* Rio de Janeiro: Forensic Publisher. [Links]

Wald, A. (2002b). The corporate governance. *Banking, Capital Markets and Arbitration Journal, 15* , 5, 53-78. [Links]

Wooldridge, JM (2003). *Econometric analysis of cross section and panel data.* Cambridge, MA: MIT Press. [Links]

DO NOT CITE
ENGLISH TRANSLATION GENERATED BY GOOGLE

Wright, T. (1971). Shareholder pooling agreements - validity, legality and enforcement. *Arkansas Law Review, 501* , 501-525. [Links]

Young, M., Peng, M., Ahlstrom, D., Bruton, G., & Jiang, Y. (2008). Corporate governance in emerging economies: a review of the main-main perspective. *Journal of Management Studies, 45* (1), 196-220. [Links]

Received: June 14, 2013; Accepted: September 4, 2014

July 9, 2029
01313-902 S. Paulo - SP Brazil
Phone: (55 11) 3799-7999
Fax: (55 11) 3799-7871
e-Mail
rae@fgv.br