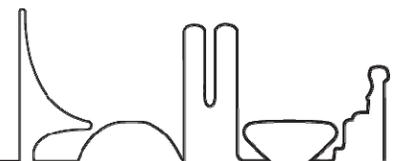


Public Affairs in Brazil

Public Affairs Council

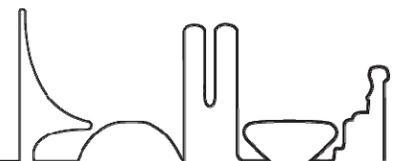
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September 2017



Agenda

- 1 Overview**
 - Demographic breakdown
 - Economic disparities
 - Brazilian society
 - Principal gaps
- 2 Structure of the Brazilian State**
 - Levels of government
 - Legal framework
 - Federal, state and local levels by the numbers
- 3 Political landscape**
 - A game of musical chairs
 - Trends for 2018 General Elections
 - Ethics after the crisis and corruption scandals
- 4 Takeaways**
 - Public Affairs in Brazil (Do's & Don'ts)
 - Holistic approach to engagement





“Brazil is not for beginners”

Tom Jobim

Brazilian composer and singer

Overview

Overview

Brazil



207.8 million inhabitants

144 million voters

9th global economy

1.7 trillion (US\$) GDP

79^o (0.75) HDI

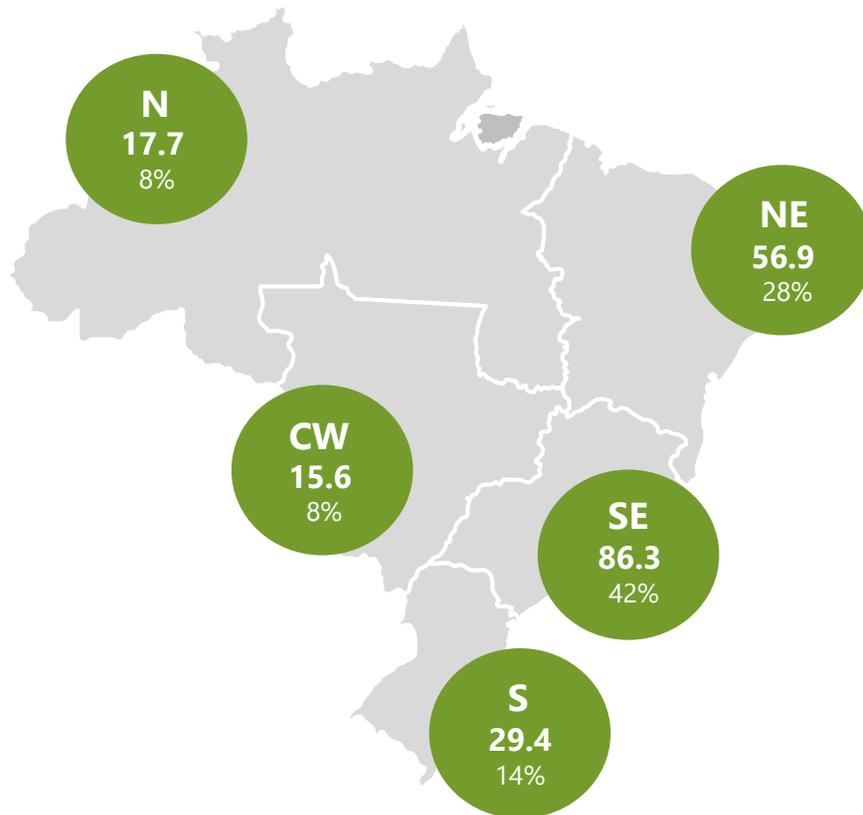
26 States + Federal District

5,570 Municipalities

Overview

Demographic breakdown

Inhabitants by region (millions/%)



Brazil

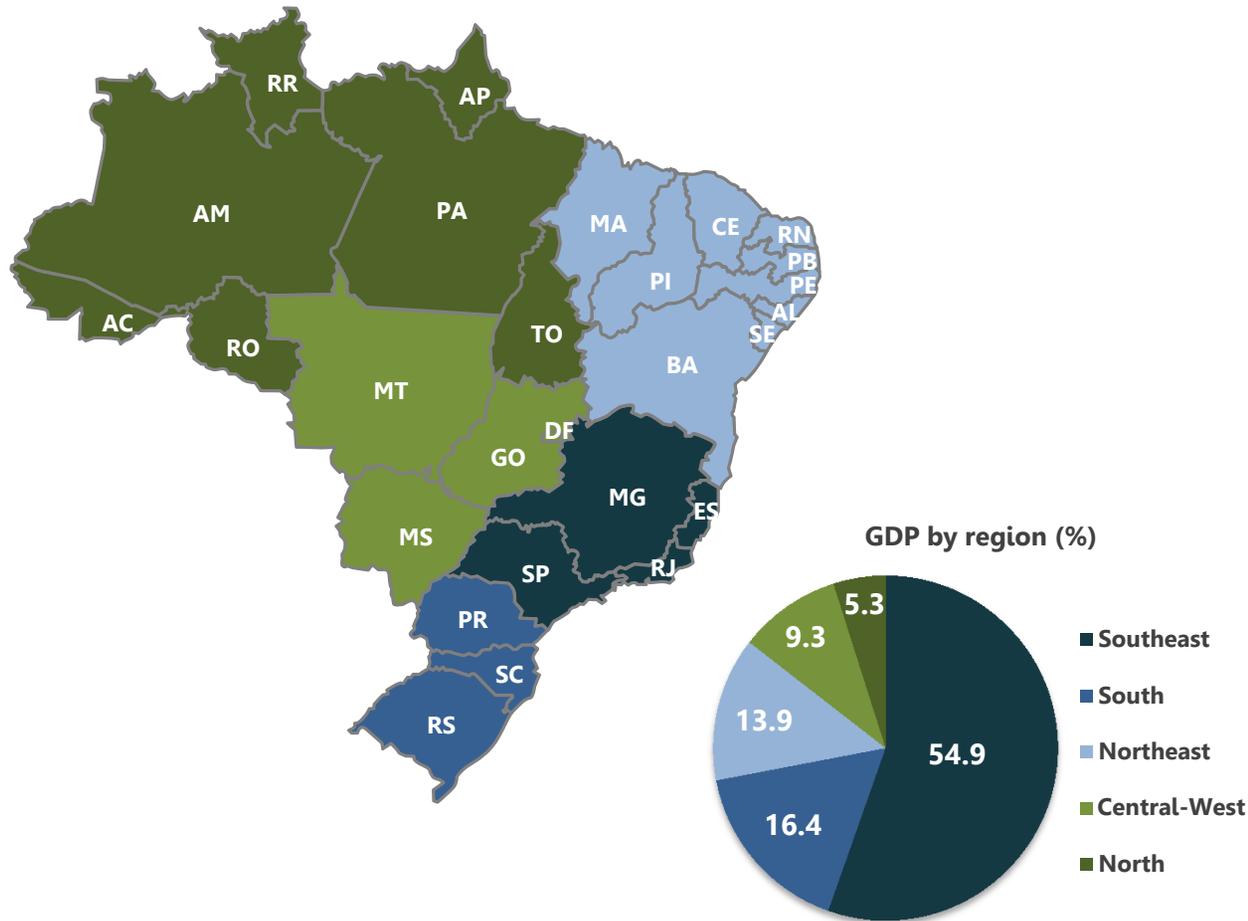
207 million inhabitants

- 1 São Paulo, SP
 - 2 Rio de Janeiro, RJ
 - 3 Brasília, DF
 - 4 Salvador, BA
 - 5 Fortaleza, CE
- 27 million inhabitants
13% of the total population

Source: IBGE and Superior Electoral Court 2016

Overview

Economic disparities



GDP by state (%)		
SE	São Paulo (SP)	32.2
SE	Rio de Janeiro (RJ)	11.6
SE	Minas Gerais (MG)	8.9
S	Rio Grande do Sul (RS)	6.2
S	Paraná (PR)	6.0
S	Santa Catarina (SC)	4.2
NE	Bahia (BA)	3.9
CW	Distrito Federal (DF)	3.4
CW	Goiás (GO)	2.9
NE	Pernambuco (PE)	2.7
SE	Espírito Santo (ES)	2.2
NE	Ceará (CE)	2.2
N	Pará (PA)	2.2
CW	Mato Grosso (MT)	1.8
N	Amazonas (AM)	1.5
CW	Mato Grosso do Sul (MS)	1.4
NE	Maranhão (MA)	1.3
NE	Rio Grande do Norte (RN)	0.9
NE	Paraíba (PB)	0.9
NE	Alagoas (AL)	0.7
NE	Piauí (PI)	0.7
NE	Sergipe (SE)	0.6
N	Rondônia (RO)	0.6
N	Tocantins (TO)	0.4
N	Acre (AC)	0.2
N	Amapá (AP)	0.2
N	Roraima (RR)	0.2

In 2016, government revenues were 32.6% of GDP and spending was 41.6% of GDP

Overview

Brazilian society

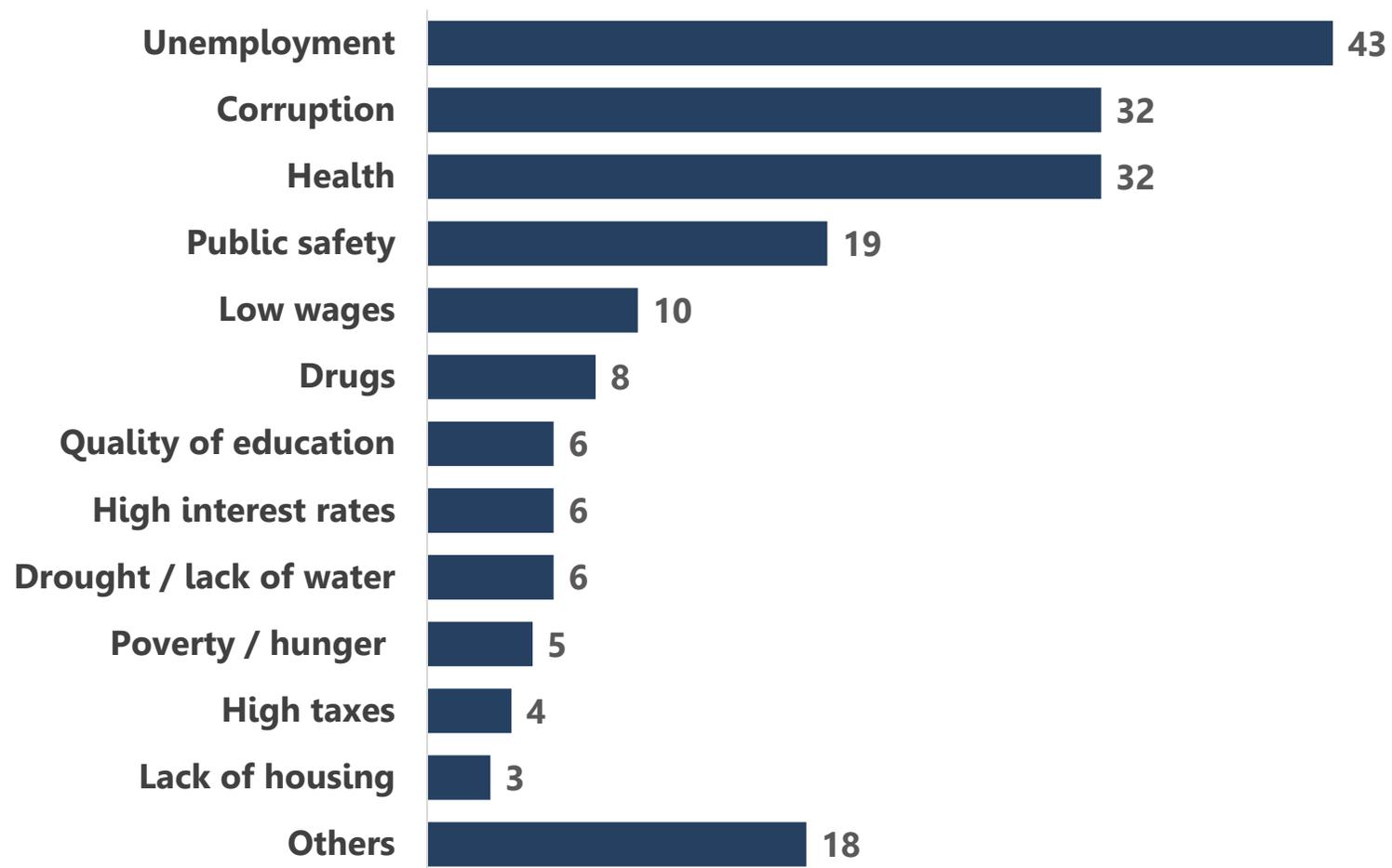


- **Strong feeling of dismay** concerning the current political and economic crisis
- **Lack of leadership**, be it in the political arena, the business world or among civil society entities
- Citizens are becoming more aware of their rights as **voters, taxpayers and consumers**
- More than half the population has **Internet access**
- The **millennial generation** is facing its first crisis and its reaction is unforeseeable
- **Increasing impatience** with low-quality and/or high-priced goods and services
- **Increasing advocacy** for consumer, environmental and human rights
- **Civil society's scrutiny of companies is rapidly increasing**

Overview

Principal gaps

Key issues according to Brazilians (%)

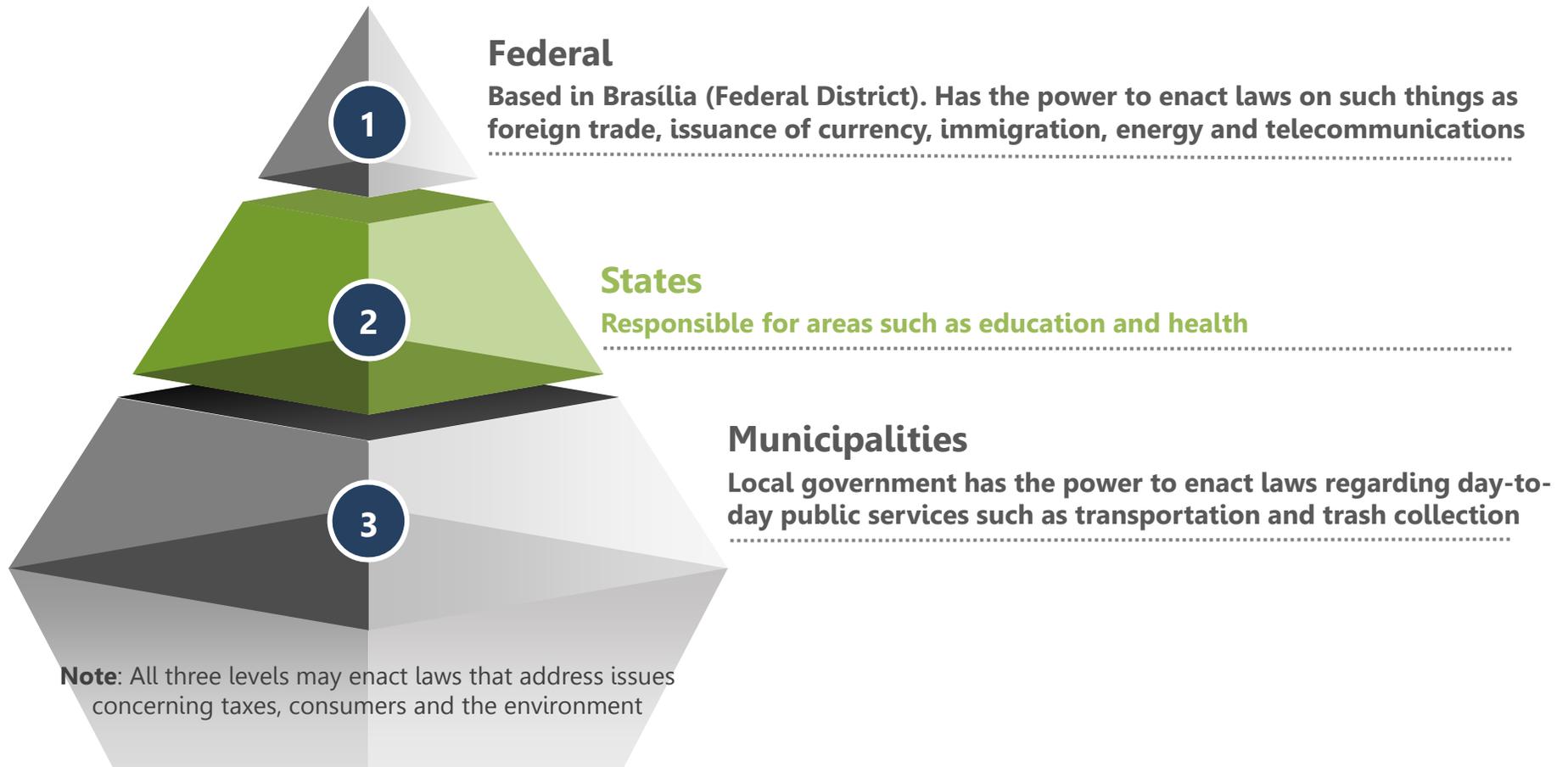


Source: National Confederation of Industry (CNI) 2016

Structure of the Brazilian State

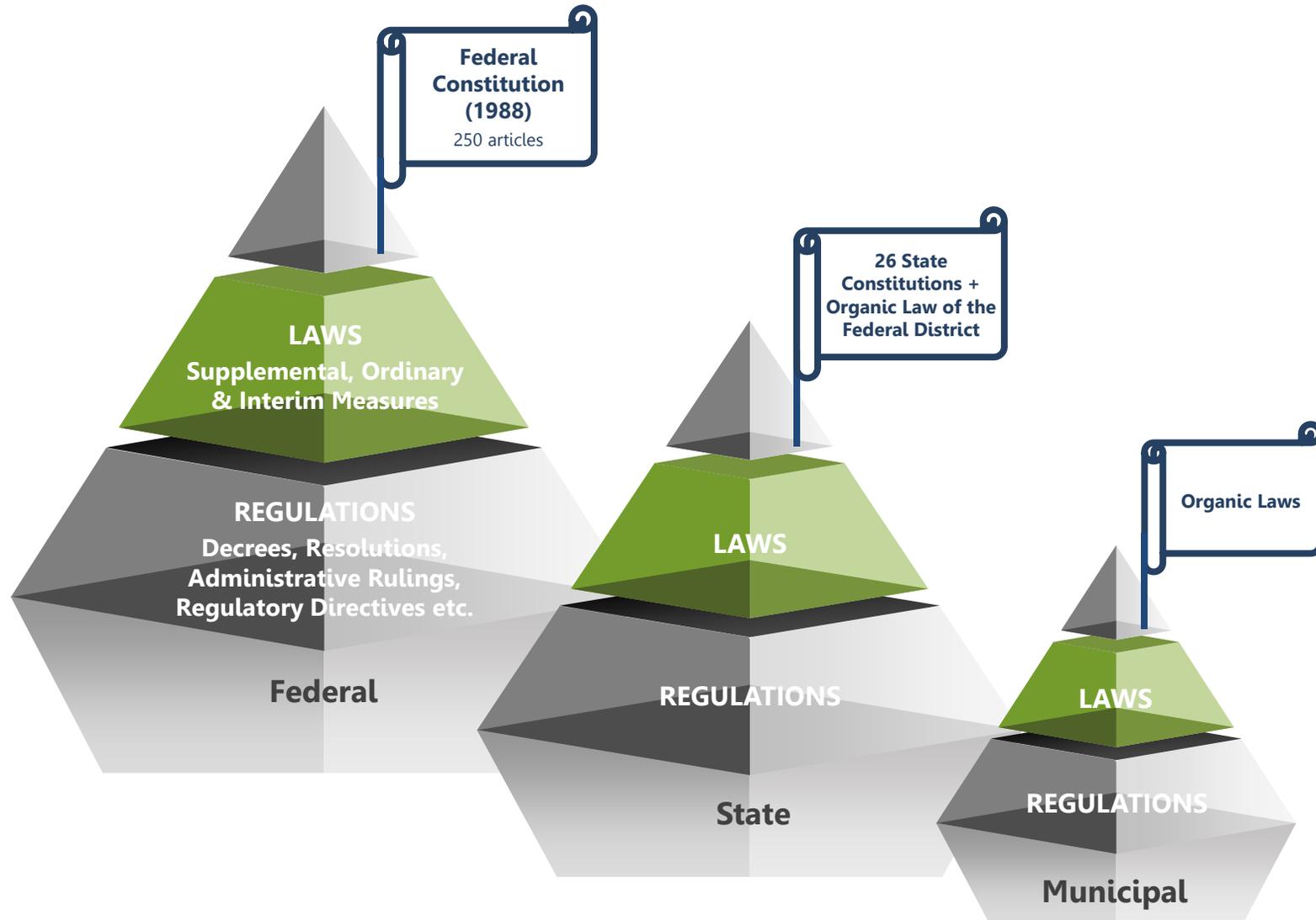
Structure of the Brazilian State

Levels of government



Structure of the Brazilian State

Legal framework



Structure of the Brazilian State

Federal Executive Branch by the numbers

Ministries

28

Indirect Public Administration

(Government-controlled business corporations, foundations, State-owned enterprises, Government agencies)

205

Normative acts
published in the federal
official gazette (per day)

4,106

Regulatory
Agencies

10

Ministerial
Secretariats

186

Councils, Chambers
and Ministerial
Committees

172



281

Principal stakeholders
(ministers, secretaries and
directors)

Source: Federal Executive Branch

Structure of the Brazilian State

Federal Legislative Branch by the numbers

Members of Congress

594

513 House of Representatives
81 Senate

Bills currently under consideration

23,212

Party representation in Congress

Senate: 18
House: 27

Standing Committees

45

25 House
13 Senate
7 Congress

Parliamentary Fronts

305

Source: Brazilian House of Representatives and Senate

Structure of the Brazilian State

Judiciary Branch by the numbers



Source: National Council of Justice - CNJ (2016) and Supreme Court (STF)

Structure of the Brazilian State

States and Municipalities by the numbers

States

26 + Federal District

Municipalities

5,570

State
Representatives

1,059

Bills currently
under consideration

34,907

Council members
(only in the capitals)

812

Bills currently
under consideration
(only in the capitals)

16,038

Standing Committees

419

Standing Committees

332

State Secretariats
Executive Branch

523

Municipal Secretariats
Executive Branch

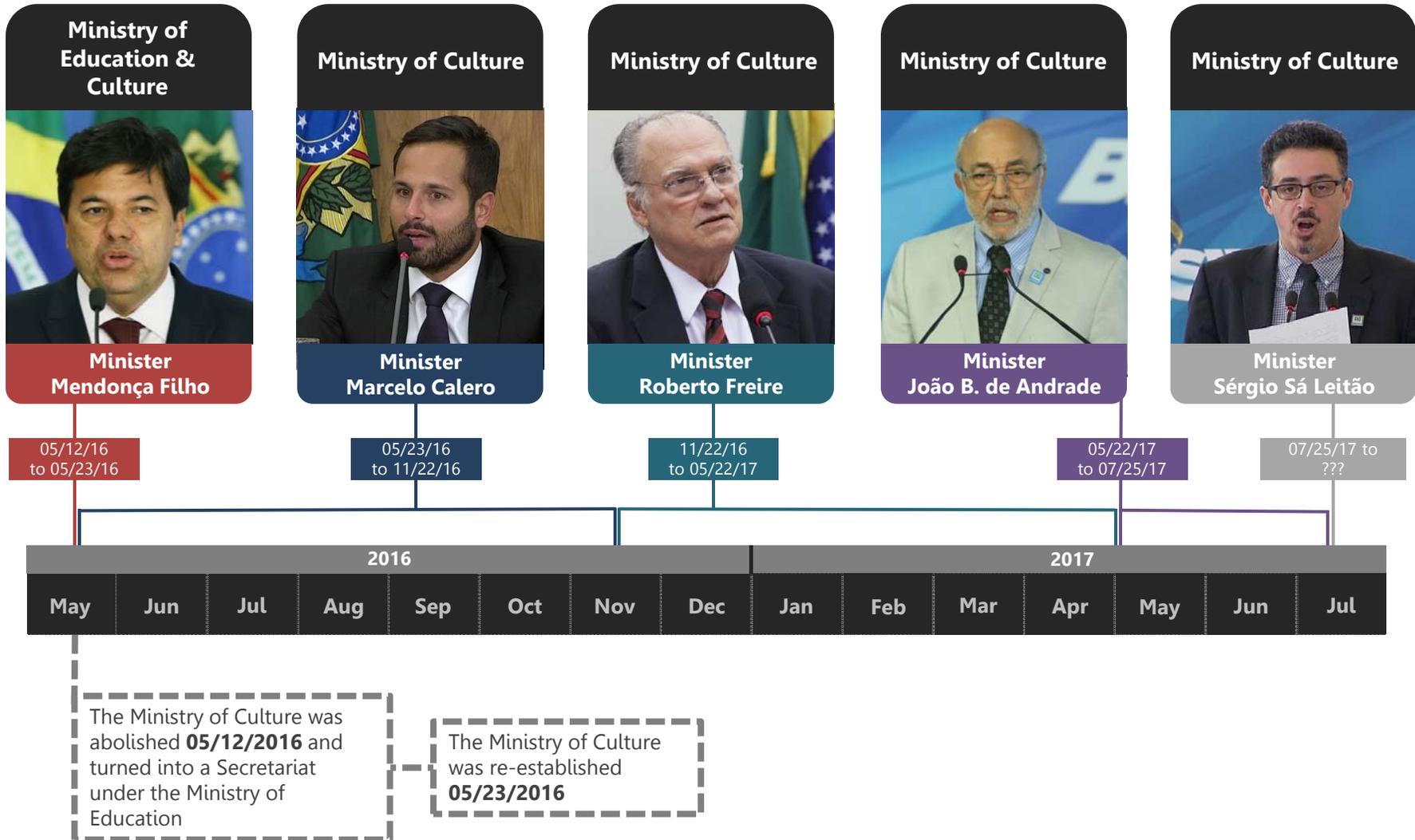
432

Fonte: State & Local Legislative and Executive Branches database / Electoral Court

Political landscape

Political landscape

A game of musical chairs



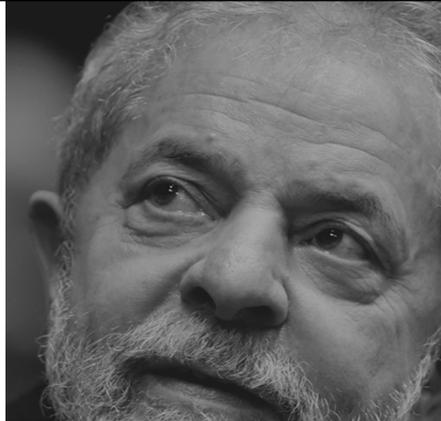
Political landscape

2018 General Elections

It is still too early to identify competitors but voter trends are already taking shape



Abstentions, blank and null votes



Traditional left and allies of Lula



Anti-Lula and anti-PT blocks



Element of surprise

Political landscape

Ethics after the crisis and corruption scandals



- A cultural revolution is on course, with **rejection of impunity for corruption and graft**
- There is **growing pressure for a new agenda** of political-administrative governance and anti-corruption in the public and private sectors
- **Large street demonstrations** show strong support from society for anti-graft actions
- **Operation Car Wash is widely supported** by public opinion and is not abating
- Some of the wealthiest and most **powerful people in Brazil are in jail**
- Anti-Corruption Law, Access to Information Law, and Conflict of Interest Law are some examples of **a new regulatory framework for governance**
- **Companies must give highest priority to transparency and compliance**

Takeaways

Takeaways

Do's

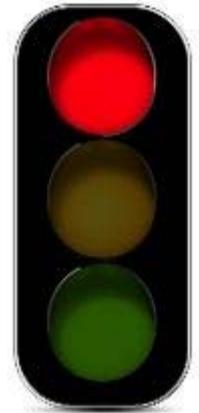
- Particularly in times of crisis, use **extreme discretion in selecting stakeholders** with whom to establish a closer relationship and dialog
- Carefully determine the best time to act and the appropriate message, and take care in selecting the correct stakeholders with whom to address **specific and relevant issues**
- Understand **party alliances and channels of influence** among federal, state and local stakeholders (bottom up and top down)
- Requests for meetings should **always be documented** (e-mail, letter, subject matter, agenda etc.)
- In meetings, pay attention to signs that indicate the speaker's intent. **Sometimes, the word "NO" will go unspoken but you can detect non-agreement**
- Seek to act within **positive and constructive agendas**
- It is not enough to comply with current laws. It is imperative that you **understand the country socially and culturally so that you can also act in a manner that is politically correct**
- Ensure compliance with the most recent **Brazilian regulatory framework for corporate governance** in order to be in accordance with the law and follow sound practices
- Give **ample coverage and attention to work and relationships at state and local levels**. Any lack of transparency and difficulty in obtaining access to information at these levels poses high risks for business
- Work with an **industry association** in parallel with the company's individual agenda
- Brazil is a country that has a tradition of resolving conflicts through negotiation. **Be prepared to make concessions and yield previously held positions** in order to reach an agreement with the other party



Takeaways

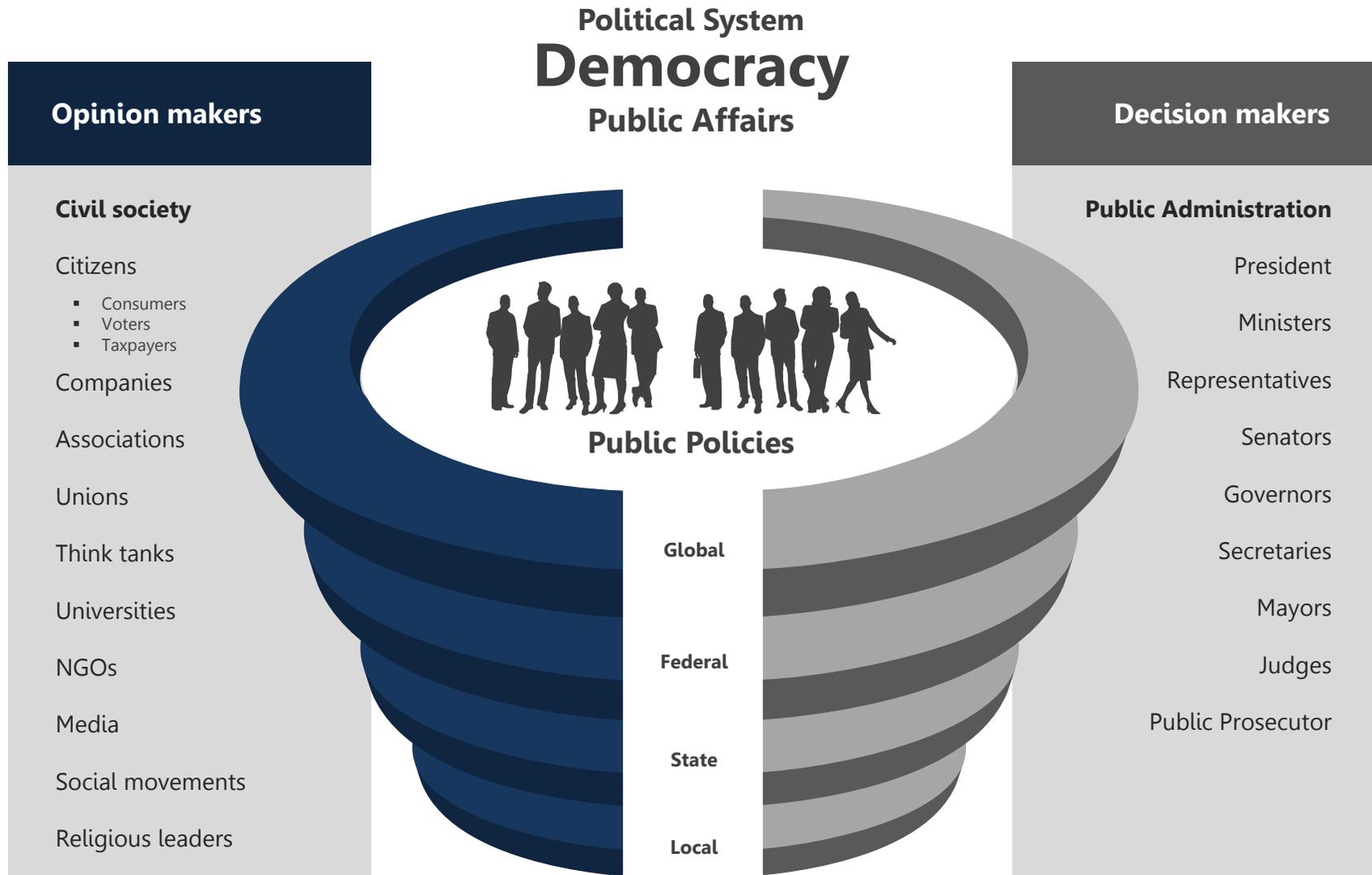
Don'ts

- In times of crisis, you need to be **even more careful in approaching stakeholders**. Avoid meetings outside of institutions. Everyone has conference rooms and offices. **Avoid meetings where you are asked to “come by”**
- **Avoid private meetings without witnesses**
- **Don't offer personal opinions** on local politics or topics that could lead to disagreements or misunderstandings
- **Don't act as if the listener were your friend** or force a friendship
- Don't force requests for information, believing in the supposed **“Brazilian way”... it's been clearly shown that this does not work**
- In Brazil, decision-making processes are slow. Therefore, **don't be in a hurry to get results and to “make things happen”**
- Brazil's history and culture are very different from that of the Spanish-speaking countries in Latin America. **It is a mistake to think your relationship with Brazil will be the same as experiences your company may have had with other countries of the subcontinent**



Takeaways

Holistic approach to engagement



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