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Maria Helena dos Santos Fernandes de Santana
Chair
Superintendência de Desenvolvimento de Mercado
Comissão de Valores Mobiliários
Rua Sete de Setembro, 111, 23º andar, Rio de Janeiro – RJ, CEP 20159-900

RE: reform of *Instrução CVM 202*

Dear Sra. Santana:

We welcome the opportunity to comment on the proposed reform of *Instrução CVM 202* regarding enhancing public company disclosure to shareholders. We commend the work of the CVM in carefully examining in both in form and content the means to provide this enhanced disclosure.

In particular, we believe both shareholders and, ultimately, companies would benefit from companies providing more and better disclosure in the following areas: company risk factors, director experience and commitments, director and executive remuneration policies, director and executive related party transactions, insider trading information, auditor fees and shareholders' meetings. We believe such information will increase shareholder confidence in the company, leading to greater investor interest in the company especially among foreign investors and, thereby, lower a company's cost of capital.

Glass Lewis is an independent proxy research advisor which provides proxy voting research, analysis and recommendations to institutional investors from around the world. Glass Lewis is submitting this comment as an interested industry advisor, not on behalf of any or all of its clients. We note that our comments regarding the *Formulário de Referência* refer solely to the version of *Anexo 27* as it refers to Issuers classified as *Capital Bolsa*.

Importance of timely publication of the *Formulário de Referência*

Glass Lewis believes that the proposed regulation described in *Instrução CVM 202*, which requires the Issuer to provide the complete *Formulário de Referência* is a very positive improvement. However, we believe that companies should provide this information along with the proxy, ideally when the annual general meeting is announced,

rather than the proposed requirement of within five months after the end of the fiscal year as stipulated in Article 7; item I of the *Instrução CVM 202*. Waiting to disclose the *Formulário de Referência* until five months after the end of the fiscal year would be too late for shareholders to use in evaluating proposals submitted at shareholder meetings, preventing shareholders from making informed decisions when exercising their voting rights. In the absence of the timely release of the information which would be provided under the proposed *Formulário de Referência*, many shareholders will continue to either abstain or, increasingly, vote against certain proposals submitted at annual general meetings.

Importance of Transparency and Disclosure of Compensation Policies

In response to the two sets of questions posed in Section 11.8 of the Introduction published with the *Instrução CVM 202*, we have provided the following answers and comments:

Sub-section A:

- i) Does compensation disclosure really have to be on an individual level, or can it be an aggregate number for the members of the management board and board of directors?

We believe shareholders find it important that information regarding compensation policies for members of the management board as described in Section 13 of the *Anexo 27: Capital Bolsa*, be made public on an individual level. Most shareholders examine executive compensation, in particular short-term and long-term equity-based incentives, to determine if executive pay is successfully linked to company performance, thereby aligning their interests with those of shareholders. If shareholders are only given an aggregate value for executive compensation, it is impossible to gain a clear picture of how an executive's compensation is tied to performance. Further, this aspect of company policy is a crucial part of a company's risk profile and shareholders would benefit from clear and accurate disclosure of this information when making voting and investment decisions.

We also believe shareholders would benefit from learning more regarding the distinction between the compensation policies of directors and members of the management board in Brazil, and in particular, the amount of compensation paid to individual directors. It is important to distinguish how the board of directors is compensated relative to the management board so that

shareholders have a clear idea of whether or not directors are being incentivized in same manner as executives. In addition, the information will help shareholders analyze whether the amount of a director's compensation, as well as compensation differentials among directors, impacts director independence.

Sub-section B:

i) Is information regarding the compensation plan useful to investors?

The information requested in this document is useful for shareholders because the details provided give shareholders the opportunity to assess risk factors involved with compensation decisions. Detailed disclosure regarding executive compensation will allow for shareholders to assess risk based on an issuer's use of short and long-term incentives for individual employees. A clear understanding of how compensation is determined by company policy and subsequently allocated among executives allows shareholders to link the overall performance of a company to the responsibilities and performances of the executives making strategic decisions.

ii) Are there additional issues that can be discussed regarding executive compensation?

Glass Lewis believes that the CVM should encourage companies to provide more information regarding board discretion to change performance criteria and re-price stock options. We believe that allowing this discretion undermines the purpose of long-term incentive plans.

Glass Lewis believes that the current draft of the *Anexo 27: Capital Bolsa* requires an adequate level of transparency.

We would be happy to provide any additional information to the CVM regarding this matter. Thank you for the opportunity to comment on the proposed reform to the *Instrução CVM 202*.

Sincerely,

/s/

Robert McCormick, Chief Policy Officer