

Anti-corruption, tax and labor legislation are likely to be priorities for legal advisors to Brazilian companies this year.

By Jennifer P. Roig

Taxing issues

Brazil may have had a tough year, but it still draws attention. It leads Latin America in foreign direct investment and the size of its banks and corporations. It has a lively startup scene, and business opportunities around its growing middle class continue to attract investment.

Yet the problems are evident. Protests in 2013 underscored popular dissatisfaction on a range of issues. And in 2014, an investigation into corruption allegations at Petrobras pushed the state-controlled firm to delay publishing audited financial statements and drew in some of the country's biggest building contractors.

That complicated backdrop is reflected in the TozziniFreire 2015 Outlook for Legal Issues in Brazil. Compliance – closely followed by tax and labor matters – emerged as the highest priority for the 56 Brazil-focused executives who completed the survey, most of whom are in legal and related functions in private companies.

Carried out by Management & Excellence (M&E) and *LatinFinance*, and sponsored by Brazilian law firm TozziniFreire, the study shines a light on what legal professionals understand to be the biggest issues for Brazilian companies in the coming year.

Just over half said they would increase attention to matters of intellectual property and technology transfer, while 47% said they anticipate investing more in environmental projects.

Compliance, however, gained the highest percentage of respondents (41%) who said it would be a top priority for 2015 – compared with 39% for tax, 30% for labor, 11% for competition matters, 9% each for M&A and intellectual property and technology transfers, and 7% for environmental concerns. Almost all – 91% of respondents – said they expected business related to compliance to grow.

Pre-wash

Petrobras delayed releasing audited third quarter results in November as a result of the investigation dubbed “Lava Jato”, or “car wash”.

The move thrust the corruption allegations into the international spotlight. But even before then, Brazil's 2014 Clean Companies Act had already made compliance a more important area of focus for executives in Brazil, says Shin Jae Kim, partner at TozziniFreire specializing in compliance and investigations.

Brazil is not the only country where companies are seeing the need for more robust legal compliance departments. It is also a trend in the US and Europe, as Salim Saud, partner at Tauil & Chequer, MayerBrown's Brazilian associate, points out. He explains that compliance extends to capital markets operations and anti-trust regulations, as well as anti-bribery and anti-money laundering rules.

But in Brazil “most people think of anti-corruption when addressing compliance”, says Saud.

The Clean Companies Act came into effect in January last year with two major provisions. First, it defines “administrative and civil liabilities on legal entities for acts committed against the national or foreign public administration, involving corruption and fraud in government contracts,” says TozziniFreire's Kim. She also says it “gives additional incentive for companies to invest in compliance programs by providing that the existence of effective programs will be considered a mitigating factor by the government when applying administrative sanctions”.

Fabiola Rodrigues, senior associate at Demarest, another Brazilian law firm, says the law has heralded a shift of focus toward compliance risks in her firm's meetings with clients. “Before, they only spoke about numbers,” she says.

Rodrigues says that the change in perception derives mainly from enforcement of the law, which she says is challenging the so-called *jeitinho* – the Brazilian expression for using

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