Informativo Gerencial

Edition 8
February 2021

Deloitte.

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Informativo Gerencial | Trends in Executive Compensation LATAM 2021

Trends in Executive Compensation LATAM 2021

The pay landscape in the countries of the region has been affected by the COVID-19 crisis in a profound way.

Adjustments, new practices, restructurings and redesign of the complementary benefit packages are some of the measures taken by many companies over these months, as a form of response to the present moment and what may still be to come.

Deloitte's tenth annual human capital trend study in 2020 brings us a very important reference: Of approximately 9,000 participants around the world, of which there were almost 3,000 in Latin America, 65% indicated that it has somehow redesigned its compensation system over the past three years, and 66% said it plans to do so over the next three years.

This means that many companies do not end up aligning their compensation models with their business strategy and are constantly in the process of finding a system that fits their reality.

Here's a run of our perspective on the main findings and trends identified in executive compensation systems in the region:

Income level adjustments for C-Suite charges

The reality for many companies is that 2020 was a year of adjustment and non-compliance with their business goals that had been set prior to the start of the financial year. This caused the bonds received by senior managers to have been reduced, eliminated or deferred in their payment until they have better liquidity conditions in the company.It generated a significant impact on the total compensation of the flat management. taking into account that your variable income usually accounts for about 30% of your total income. And with the aggravating fact that annual increases in managers' fixed wages tend not to go beyond inflation, which in most countries of the region, with the exception of Venezuela and Argentina, are between 1 and 3% (Even Ecuador registered negative inflation at end-2020).

Depending on the complexity of the situation, especially in the early months of the pandemic, some companies even made temporary adjustments to the fixed remuneration of their senior managers. In

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certain countries of the region, emergency resolutions were issued by governments that allowed this possibility. In other cases, there was no need to go to the legal court, since, by mutual agreement between companies and managers, a reduction in wages was established for a certain time, to alleviate the economic situation of the company.

The projection of revenue recovery from the executive floor will depend to a large extent on the evolution of business results. But it is very feasible that reaching the 2019 compensation levels will take a few more years and this reality must be very clear to leaders in organizations.

Rethinking additional benefit plans
Best practices in pay systems give high importance to non-monetary benefits today. The weight they have against the money can be about 10% depending on the program of each organization. The current moment has led to the revision of these benefits, considering on the one hand the economic reality of the company and on the other, the priorities of the executives.

It is logical to think that health, accident and life coverage plans have in many cases been adapted to the present time. Seeking to extend this benefit through renegotiations with suppliers and depending on the reality of each company. Some companies have even considered a kind of trade-off of these benefits considering that for some executives it is probably more important to have a complete medical plan at this time and not a Company car, which may vary depending on many factors: generational group, medical pre-stocks, number of dependents, etc.

Incorporating COVID controls at no cost, giving greater flexibility and the possibility of teleworking by providing tools to be properly executed, making platforms available from the best universities and business schools for training, have been the main benefits that have been added to the current reality.

Refocus on external competitiveness
Many companies have been managing their market wage studies by generally targeting parameters such as the median, 75 th percentile or even the maximum level, seeking to be competitive and attractive. This has had a refocus given the current conditions.This has had a refocus given the current conditions. Some companies now try to differentiate their critical roles and collaborators because they have been forced to prioritize by not being able to hold a benchmark for all their positions as they did previously. In this sense, they come to evaluate criteria such as: Career of their executive within the organization, ease of substitution either by internal backups or market offer, level of specialization and potential. It will depend on the response to these indicators, in order to determine the new level of comparison against the wage market that they will establish.

Optimizing internal equity
Another initiative taken is to try to refine the internal wage bands by ensuring that they respond to the contribution that each person in their respective position contributes. And how have companies been able to achieve this? They have reviewed two of their internal processes: Their performance assessment methods and the job appraisal system. By rethinking the performance assessment, they are incorporating competencies that have become critical today: resilience, adaptability to change, leadership aimed at protecting culture, developing and directing distance, productivity in teleworking, among others. And in terms of their role valuation models, it has been the opportunity to validate the relative weight or importance that each position has in the current situation. This is how technology roles (cloud, IT security, etc.) or positions with a strong innovation component, input into digital transformation, customer service experience, analytics, have been repositioned and that also allows them to review the salary levels they own.

Assisted disengagements
In many organizations it has been an inevitable step. Whether it is because of the results of the business, the generational transition that was accelerated by the crisis, or some other very particular situation that the company has experienced, the decision has had to be taken to decouple key senior executives. In spite of the circumstances, these companies made the utmost effort to provide assistance to those who were to withdraw. They extended benefits for a while longer (insurance, training, etc.) hired firms specialized in relocation and emotional support, offered voluntary bonds and sought that the moment has been handled with the greatest sensitivity a doctor can take his blood pressure, examine his throat, Or evaluate a skin tumor on Zoom or Skype? But, as it turns out, many consumers (and doctors) have rushed to change their minds about the effectiveness and attractiveness of video visits, and are now willing to do so in the long term.

Best practices in remuneration systems now attach great importance to non-monetary benefits.

Conclusion

As we have been able to review, organizations have been very active trying to adapt to the current situation and get their senior executives involved in this challenge. The priority in a large number of cases has been to sustain the majority of possible jobs, which has required effort and adjustments that began from the highest level of the company. Gaining that understanding and acceptance from executives has undoubtedly been the biggest challenge facing organizations in our region.

For more information, go to www.deloitte.com/ec

2021 Directors' alert

A new era of board stewardship begins.

Many organizations will need to transform themselves to overcome the systemic challenges and inequities that have surfaced during COVID-19. Change will require bold steps, and new skills, from board leadership.

The time is now

AS the world continues to be impacted by COVID-19 lockdowns and looks to recover from the economic turmoil the pandemic has wrought, boards of directors are finding their world, and their boardrooms, fundamentally transformed. Even the boardroom table is changing, from oak, walnut, or glass to pixelated squares on laptop screens.

Traditional topics of boardroom discussion like growth, profit, and cost structure are making room for broader, more far reaching ones, including new risks to the business, workplace safety issues, increased stakeholder interest in governance, serious discussions about social and political turmoil, and racial injustice.

There is also growing demand among stakeholders for companies to directly address societal challenges. While some forward-thinking boards were already making time for these discussions, the pandemic has brought them to the fore.

Take just two of these issues: climate change and social purpose. Even in the midst of the crisis, the push to have businesses respond and commit to climate has not abated. In Europe, the European Union's non-financial reporting directive established a common reporting framework across a broad range of nonfinancial environmental, social, and governance (ESG) areas, including climate change. And in Asia as well as the United States, investor interest in ESG investing continues to rise.

For boards, the pandemic has been a reminder of the multiple systemic risks they need to consider, and that navigating these risks will take ingenuity and thoughtfulness. At the same time, it has highlighted that no company is an island.

Many organizations will need to transform themselves to overcome the systemic challenges and inequities that have surfaced during COVID-19. Change will require bold steps and new skills from board leadership.

Dan Konigsburg
Senior managing director, Global Boardroom Program, Deloitte Global

There is, indeed, a social license to operate in many places, and boards that ignore the responsibilities their companies have to the wider world do so at their peril. And while the 2019 Business Roundtable "Purpose of a corporation" statement1 addressed these themes, the pandemic has prioritized them as top concerns.

Now, many directors are evaluating how their companies are contributing to the wider response to the pandemic, and how they are taking care of their people and their people's health and safety. Increasingly, too, board members are thinking about the key role that business has to play in the search for social and racial justice.

Directors around the world are clearly grappling with a panoply of issues that have few easy answers. Yet, the conversation is similar whether you are serving on a board in San Francisco, Shanghai, Stockholm, or Swansea. Indeed, one of the remarkable features of the current moment is the simultaneous and similar nature of the crisis, wherever you are. In the past, many professional directors have been reluctant to serve on too many boards at one time. Some shareholders and shareholder groups also sought limits to the number of board seats directors could take. Yet the pandemic has shown that there can be benefits to these cross-board connections. There has been a migration of good ideas across boardrooms about how to ensure the safety of employees; how to respond to a collapse, or even a quick rise, in demand; or how to respond to shifting societal expectations. As directors connect across industries and countries, many boards are learning from each other right now.

Conclusion

Boards will need to support management to cope with pressure, immediate challenges while helping to guide the organization on the most viable path to progress in the future.

To navigate the turbulent waters efficiently, counselors will need to serve as an example and inventive, effective and experienced leadership accompanied by open communication and commitment to transformation.

For more information, go to www.deloitte.com/ec

2021 Global Automotive Consumer Study

What consumer trends and disruptive technologies will have the greatest impact on the automotive industry in the coming year?

Informativo Gerencial | 2021 Global Automotive Consumer Study

Digital transformation in the automotive industry

From September through October 2020, Deloitte surveyed more than 24,000 consumers in 23 countries to explore opinions regarding a variety of critical issues affecting the automotive sector, including the development of advanced technologies. The overall goal of this annual study is to answer important questions that can help companies prioritize and better position their business strategies and investments.

The Global Automotive Consumer Survey 2021 provides important information that can help companies prioritize and better position their business strategies and investments in the coming year, on the evolution of mobility, smart cities, connectivity, transport and other issues related to the movement of persons and goods.

EVs still have a few hurdles to clear

Although the longer-term trend toward EVs appears to be solidifying, consumers may be looking for more familiarity and affordability in the face of near-term uncertainty.

Younger consumers feeling the pressure?

The percentage of younger consumers in the United States and Germany that have requested a vehicle payment deferment this year is well above that of their older counterparts, raising questions about their ability to support a sustained demand recovery.

Downside risk for demand in some markets

As a result of the pandemic, a significant number of consumers in China, India, and the Republic of Korea have altered their timeline for acquiring their next vehicle, with some people planning to delay it as they consider more affordable options.

Vehicle sales moving online? Not so fast

Even though virtual vehicle sales may be here to stay, a majority of consumers would still prefer to acquire their next vehicle in person at an authorized dealer, as some aspects of the buying process remain difficult to digitize.

Key insights from our Global Automotive Consumer Study over the years:

2010: Overall value ranked as the primary factor when evaluating brands.
2011: "Cockpit technology" and the shopping experience led differentiators.
2012: Interest in hybrids driven by cost and convenience, while interest in connectivity centers on safety
2014: Shared mobility emerges as an alternative to owning a vehicle.
2017: Interest in full autonomy grows, but consumers want a track record of safety.
2018: Consumers in many global markets continue to move away from internal combustion engines (ICE)
2019: Consumers "pump the brakes" on interest in autonomous vehicles.
2020: Questions remain regarding consumers' willingness to pay for advanced technologies.

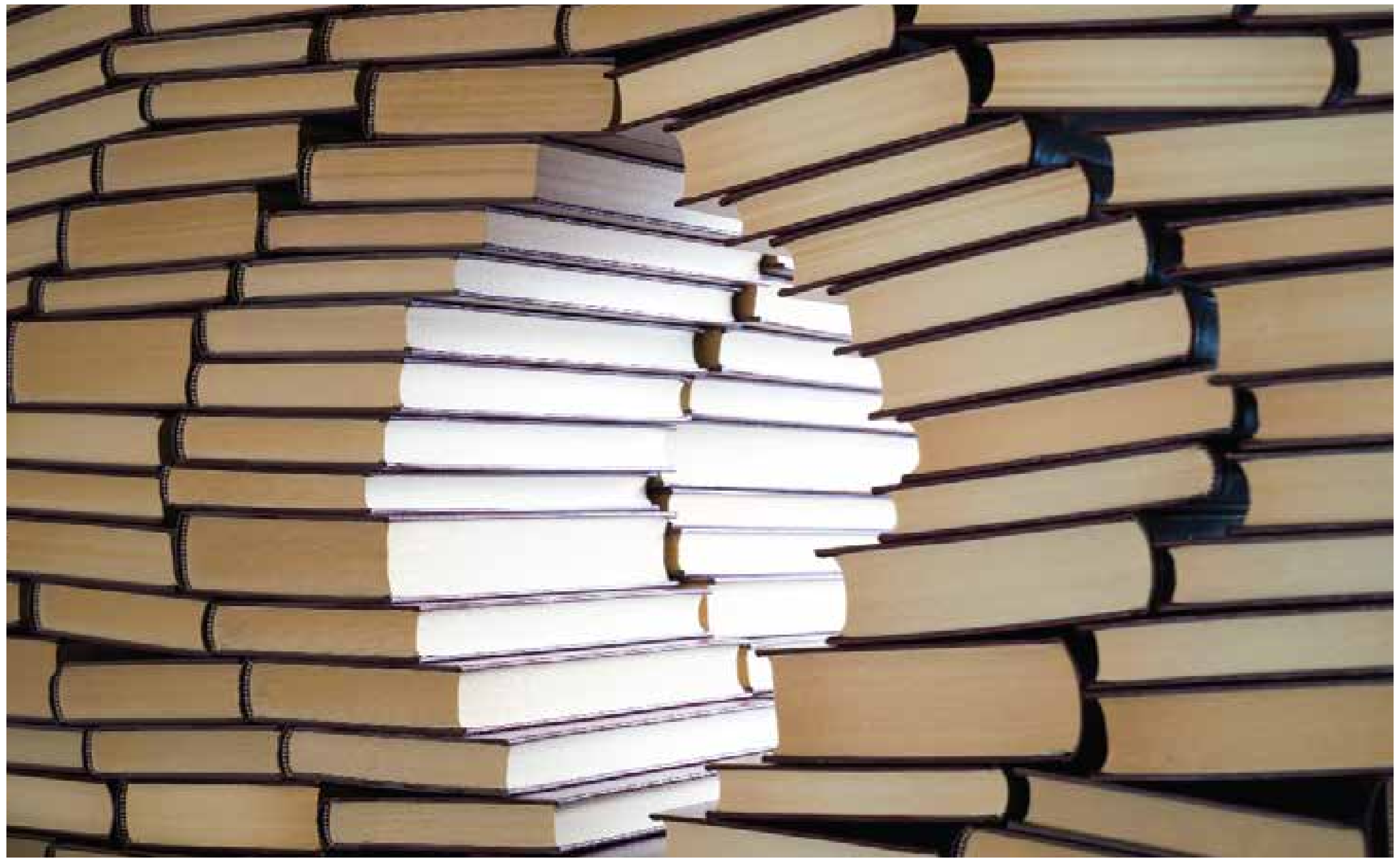
Methodology

The study is fielded using an online panel methodology where consumers of driving age are invited to complete the questionnaire (translated into local languages) via email.

For more information, go to www.deloitte.com/ec

Official gazette

Learn about the main Laws, Decrees, Resolutions and Agreements published in the Official Register.



We present the official records of the month of February:

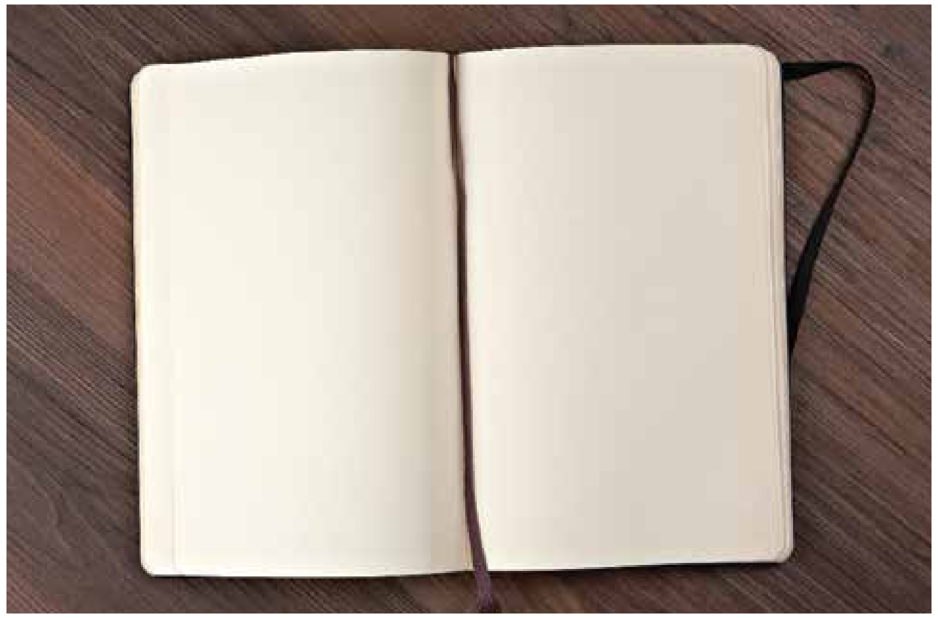
Tax Matters

Official Gazette No. 363, Supplement, January 05, 2021
Internal Revenue Service
Resolution No.1
The SRI repeals Resolution No. 81, which suspended the time limits and terms of all tax administrative processes and the time limits for the limitation of the collection action, from january 02, 2021 to january 17, 2021, inclusive.

Official Gazette No. 366 Supplement, January 08, 2021
Internal Revenue Service
Resolution No.2
The SRI issues and approves the income tax form for taxpayers under the micro-enterprise regime (Form 105).

Official Gazette No. 374 Second Supplement, January 20, 2021
Internal Revenue Service
Resolution No.4
For a single time, SRI extends the deadline for the filing of tax obligations between 16 and 22 January 2021 according to the schedule published by the Tax Administration.

Official Gazette No. 377 Third Supplement, January 25, 2021
Internal Revenue Service
Resolution No.5
The SRI establishes the transitional regime applicable for fiscal year 2021 related to the presentation of information and documentation of Ecuadorian companies with foreign shareholders, It will be delivered through the Superintendency of Companies website until January 31, 2021.



Internacional Matter

Official Gazette No. 372 Second Supplement, January 18, 2021
Committee on Foreign Trade
The Committee on Foreign Trade issues regulations and regulations for the administration of the bound quota within the framework of the Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and the Republics of Ecuador, Colombia and Peru.

Economic figures

We provide the economic figures for the following variables: Inflation, interest rates, Employment and unemployment, Trade Balance, Exchange Rate, among others.

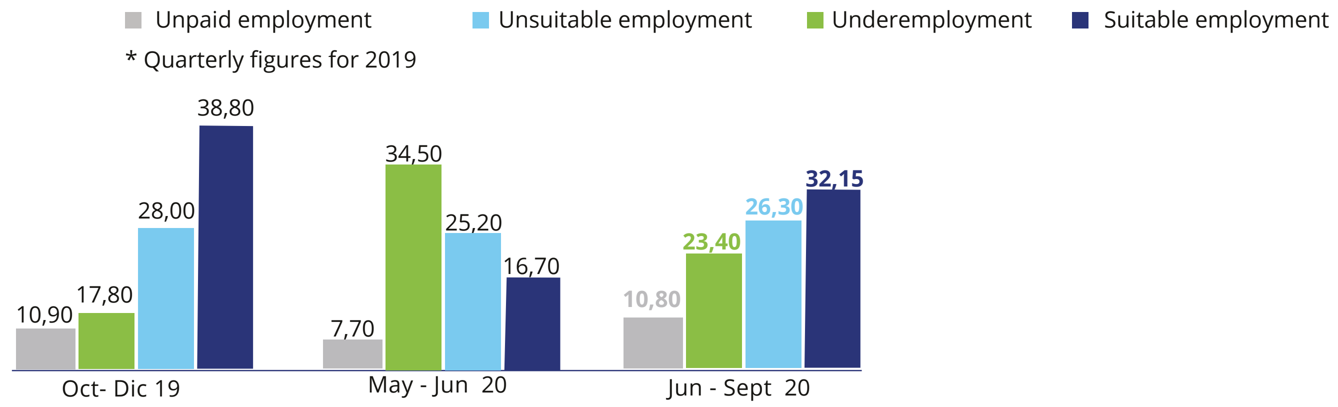
Currencie	International Price	Official Rate	Transactions	
			Buy	Sell
Bolívar soberano	1.000.000,00	100.000,00	100.000,00	100.000,00
Euro	0,81	0,81	0,81	0,81
Libra esterlina	0,74	0,74	0,74	0,74
Nuevo sol	3,63	3,63	3,63	3,63
Peso argentino	84,90	81,89	81,89	81,89
Peso boliviano	6,86	6,91	6,91	6,91
Peso chileno	698,18	699,30	699,30	699,30
Peso colombiano	3.427,00	3.448,28	3.448,28	3.448,28
Yen	103,16	103,20	103,20	103,20
Real Brasil	5,32	5,32	5,32	5,32

01

01
Values express units of each currency that are obtained by every $1US

02
Evolution of indicators

03
Reference rates



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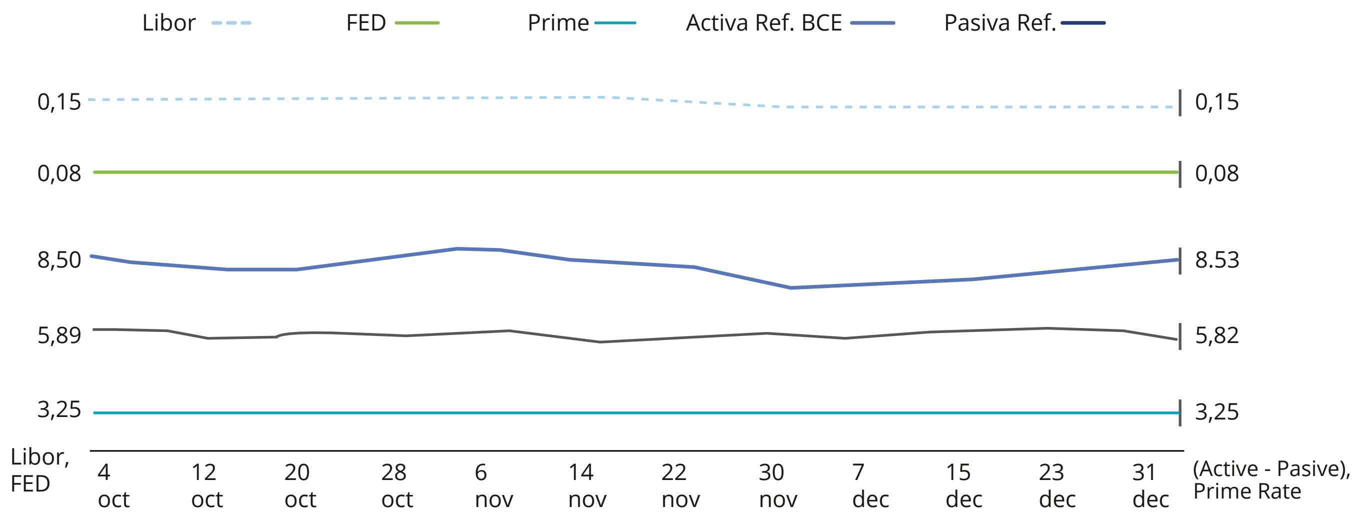

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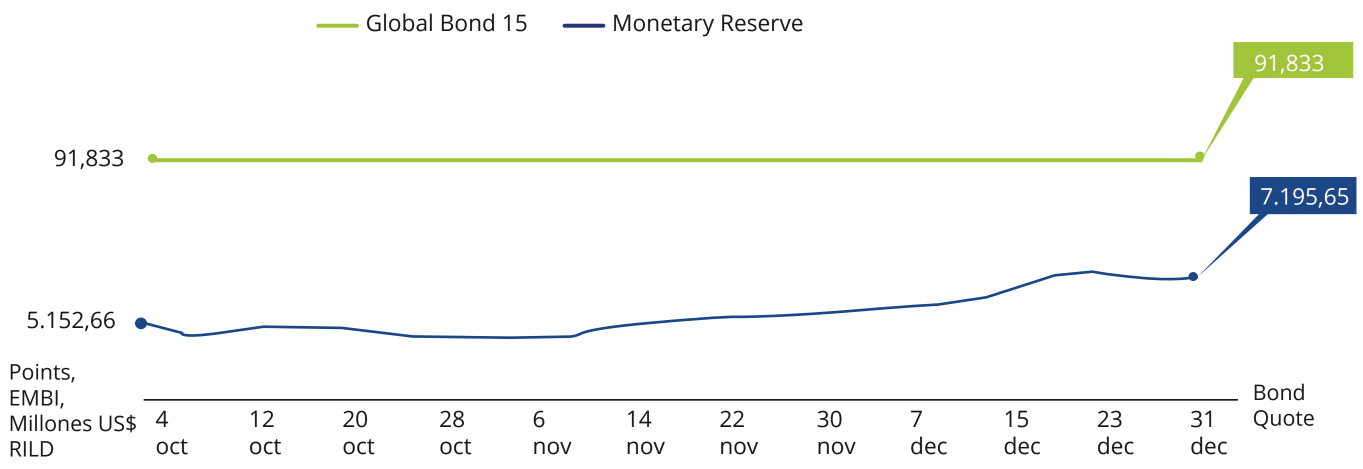

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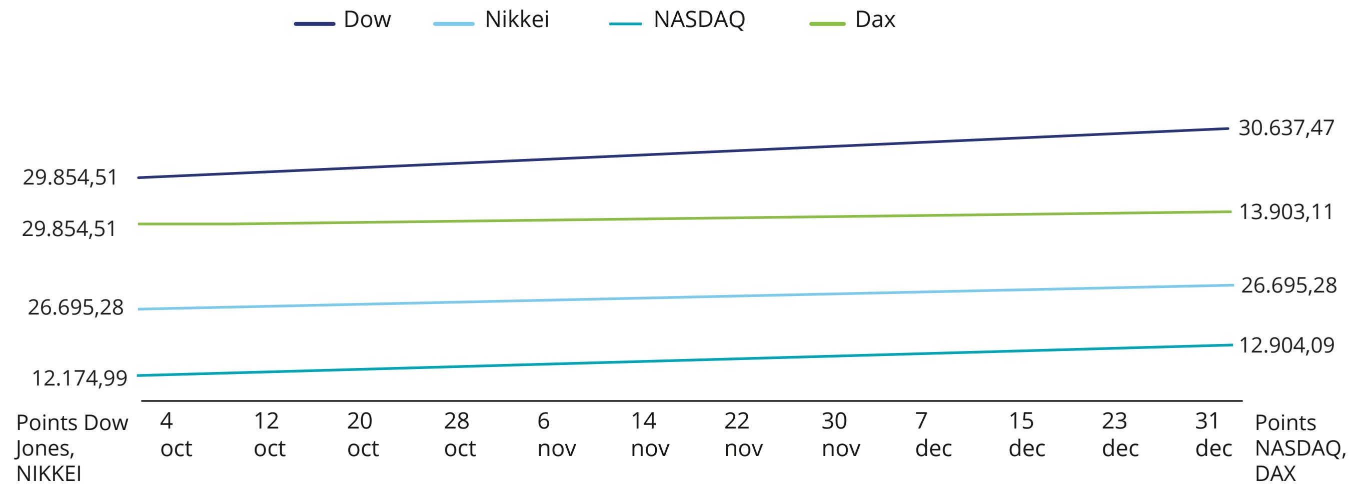

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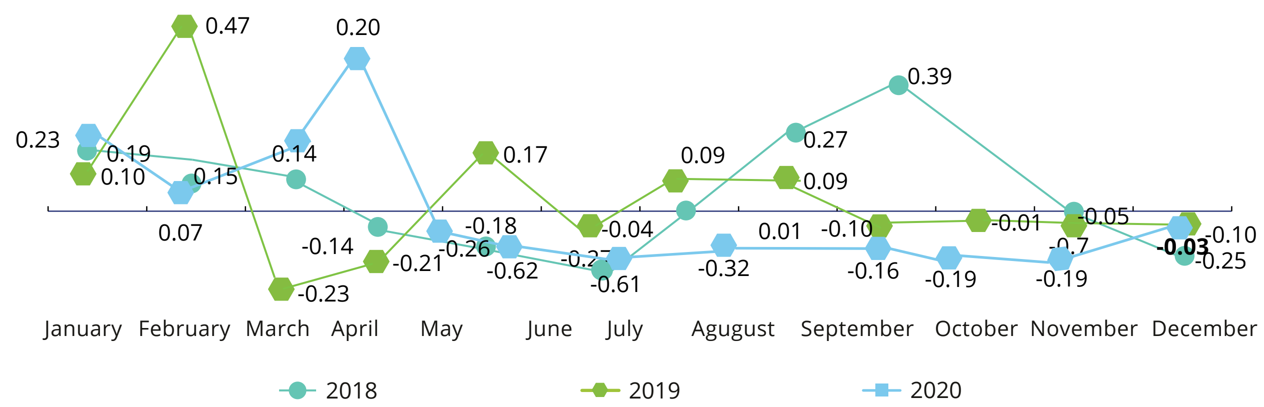

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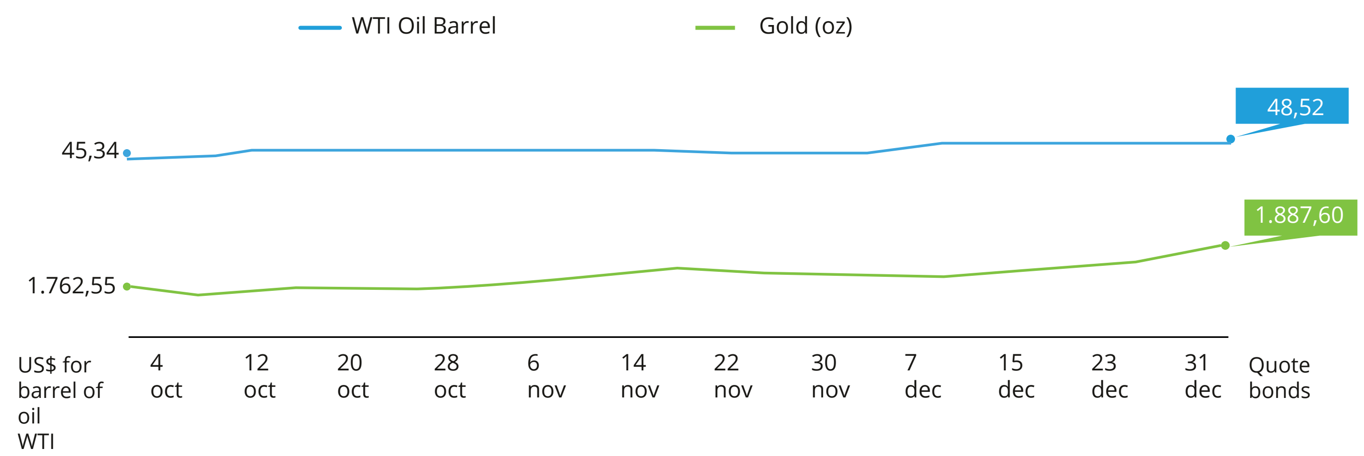

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Global bonds 15 and RILD

05
Inflation

06
Stock indexes

07
Raw material

Referential interest rates					International rates				
Period	Central Bank rate	Pasive referential	Active referential	Legal	Prime NY	Libor			
						30 days	90 days	180 days	360 days
2016	0,20	5,12	8,10	8,10	3,75	0,77	1,00	1,32	1,69
2017	0,20	4,95	7,83	7,83	4,50	1,51	1,64	1,79	2,07
2018	0,20	5,43	8,69	8,69	5,25	2,48	2,79	2,87	3,05
2019	0,20	5,70	8,82	8,82	5,50	2,50	2,74	2,82	3,02
January 2020	0,20	5,70	8,82	8,82	5,50	2,48	2,66	2,69	2,87
February 2020	0,20	5,70	8,82	8,82	5,50	2,48	2,66	2,69	2,87
March 2020	0,20	5,70	8,82	8,82	5,50	2,48	2,66	2,69	2,87
April 2020	0,20	7,20	8,40	8,20	3,25	0,44	0,89	0,92	0,94
May 2020	0,20	5,07	8,98	8,98	3,25	0,17	0,36	0,59	0,71
June 2020	0,20	6,24	9,12	9,12	3,25	0,17	0,36	0,59	0,71
July 2020	0,20	6,24	9,12	9,12	3,25	0,16	0,26	0,32	0,46
August 2020	0,20	6,37	9,03	9,12	3,25	0,18	0,23	0,30	0,44
September 2020	0,20	6,31	8,96	8,96	3,25	0,16	0,23	0,26	0,36
Octubre 2020	0,20	6,07	8,83	8,83	3,25	0,15	0,21	0,24	0,33
Noviembre 2020	0,20	5,89	8,50	8,50	3,25	0,15	0,23	0,26	0,33
Diciembre 2020	0,20	5,82	5,58	8,58	3,25	0,15	0,25	0,26	0,34

Effective lending rates calculated by the Central Bank

Credit segment	Corporate product	Reference rate	8,62%
		Maximum rate	9,33%
	PYMES product	Reference rate	10,02%
		Maximum rate	11,83%
	Consumption	Reference rate	16,63%
		Maximum rate	17,30%
	Housing	Reference rate	10,33%
		Maximum rate	11,33%
	Microcredit accumulation extended	Reference rate	20,19%
		Maximum rate	23,50%

Source: Central Bank of Ecuador

08
Interest rates

Informativo Gerencial | Economic figures

	2019					2020				
	Inflation					Inflation				
	Index	Month	Accumulated (by year)	Anual (12 months)	Anualized (Month * 12)	Index	Month	Accumulated (by year)	Anual (12 months)	Anualized (Month * 12)
January	105,77	0,47	0,47	0,54	6,58	105,45	0,23	0,23	(0,30)	2,77
February	105,53	(0,23)	0,24	0,16	(2,69)	105,29	(0,15)	0,07	(0,23)	(5,31)
March	105,31	(0,21)	0,02	(0,12)	(2,47)	105,50	0,20	0,27	0,18	2,42
April	105,49	0,17	0,19	0,19	2,07	106,56	1,00	1,28	1,01	12,75
May	105,48	(0,004)	0,19	0,37	(0,11)	105,28	(0,26)	1,01	0,75	(13,50)
June	105,45	(0,04)	0,15	0,61	(0,034)	105,62	(0,62)	0,39	0,17	(3,94)
July	105,54	0,09	0,25	0,71	1,03	104,27	(0,61)	(0,23)	(0,54)	(7,14)
August	105,54	0,09	0,25	0,61	(0,034)	104,63	(0,32)	(0,55)	(0,76)	(3,82)
September	105,54	(0,10)	0,14	0,33	(1,20)	104,47	(0,16)	(0,71)	(0,90)	(1,82)
October	105,42	(0,01)	0,13	0,70	(1,20)	104,27	(0,19)	(0,90)	(1,60)	(2,27)
November	105,22	(0,70)	(0,06)	0,04	(8,40)	104,26	(0,19)	(0,90)	(1,60)	(0,12)
December	105,51	(0,10)	(0,07)	(0,07)	(0,11)	104,23	(0,03)	(0,93)	(0,93)	(0,34)

**The CPI indices (Base: 2004=100) have been linked to the new CPI series (Base: 2014=100).

09
Evolution of inflation

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