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Brazil's Agenda 2021

Recover, thrive and the legacy for the business

December 2020

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Recover, thrive and the legacy for the business

Business recovery

- Expectations of executives for next year
- Maintenance of the number of employees
- Recovery curves by industry

Business support

- Business transformation
- New ways of working
- Infrastructure and technology
- Cyber Security
- Investments and strategies

Legacy for the business

- Environmental, social and corporate governance (ESG) on the agenda
- The era of data governance
- Priorities for the economic scenario in 2021



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Sample profile

Response collection period: November 10 to 24, 2020



Sum of revenues
R\$ 1.2 trillion

~ **15% of Brazil's GDP**
(2019)



663
companies



65%
CXOs

36 grouped segments (in %):

32 Services

16 Consumer goods

15 IT and Telecom

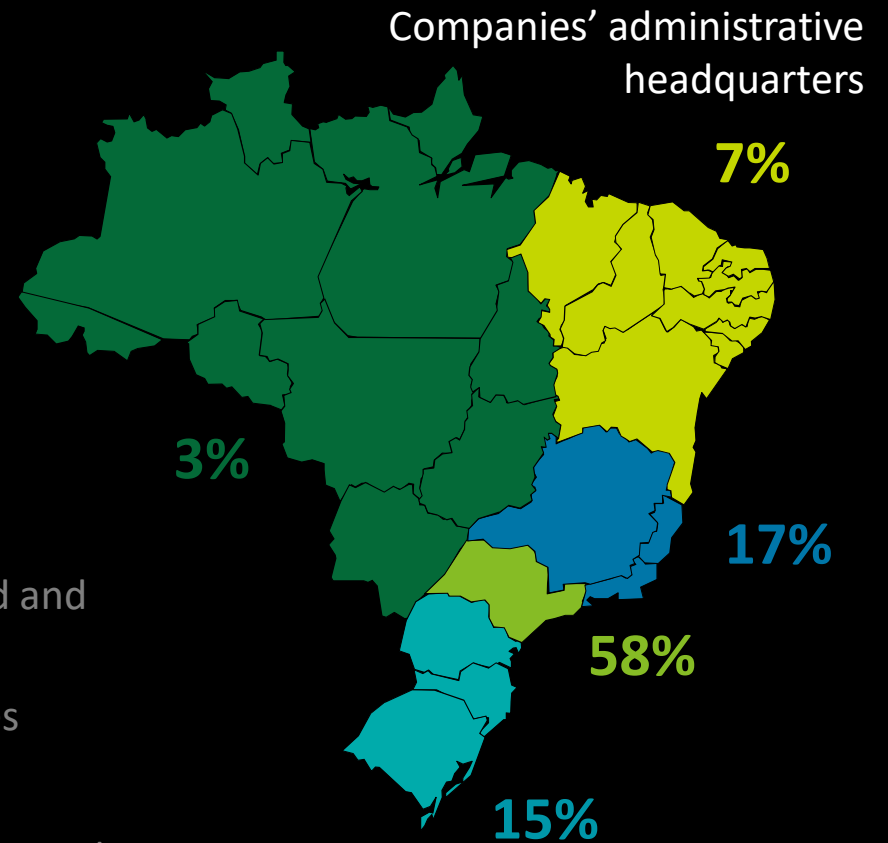
12 Infrastructure

8 Agriculture, food and beverage

8 Financial services

6 Trade

3 Vehicles and auto parts



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Business recovery

The recovery to pre-pandemic levels and the resumption of jobs are on the companies' radar for 2021

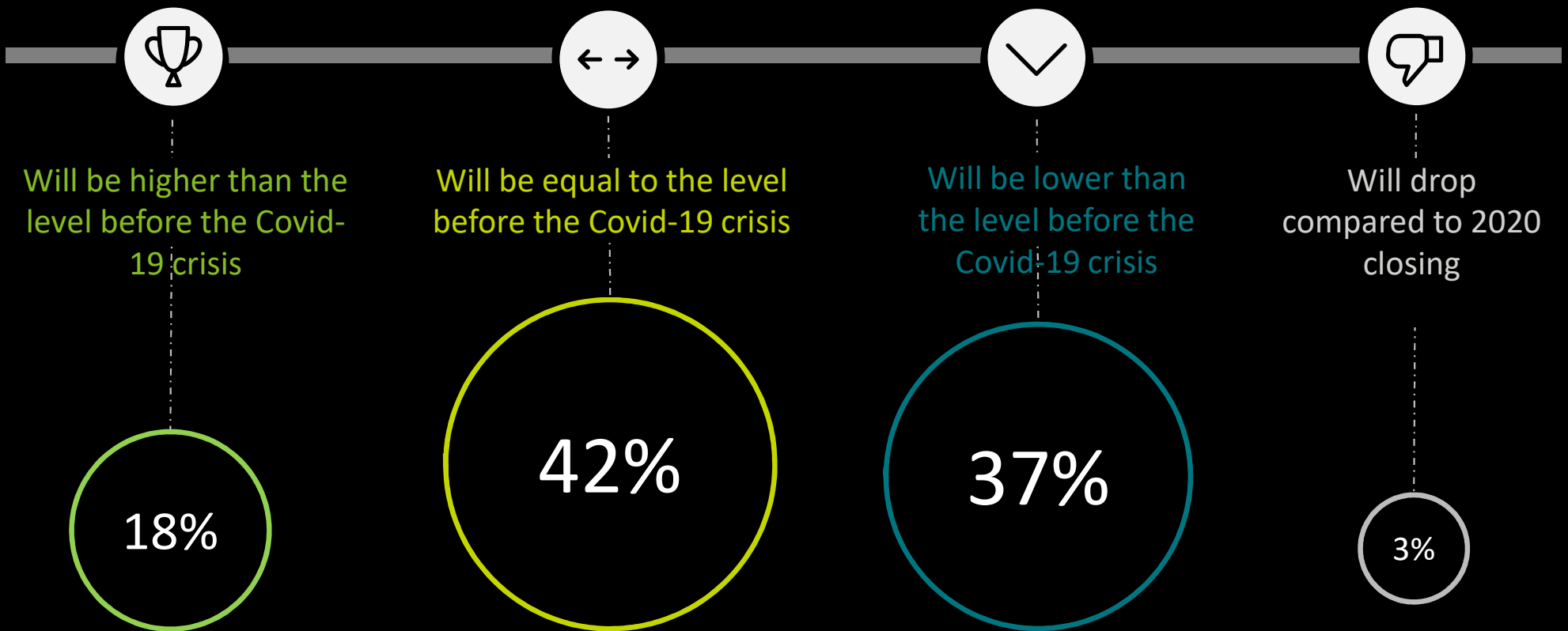
- Throughout the crisis, most companies set priorities, made adaptations and investments aimed at meeting the challenges of the crisis and seeking efficiency in operations. An important recovery in business was identified in relation to the worst moments of the crisis.
- Almost all respondents believe that 2021 will be a year of growth. However, most (4 out of 5) do not believe that Brazil will return to a higher economic activity than the country had before the crisis – which signals that the recovery process will remain on the agenda and companies will need to continue to transform.
- The number of employees is expected to increase in 44% of the participating companies. This is a reflection of the recovery curve, which indicates that the new openings are likely to restore jobs lost in the crisis.



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Expectations of executives for next year

For Brazilian executives, the economic activity in Brazil in 2021...



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Maintenance of the number of employees

44% of companies are expected to increase the number of employees in 2021, which confirms the recovery of activities

- 44% will increase the number of employees
- 24% will maintain the number of employees **without replacements**
- 23% will maintain the number of employees **with replacements**
- 9% **will decrease** the number of employees

Reasons for the decrease or replacement, **regardless of the scenario** in 2020

25% to reduce costs

22% to compensate the decrease in demand

56% for replacement with more qualified professionals

33% to apply robotization and/or process automation

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Recovery curves by industry

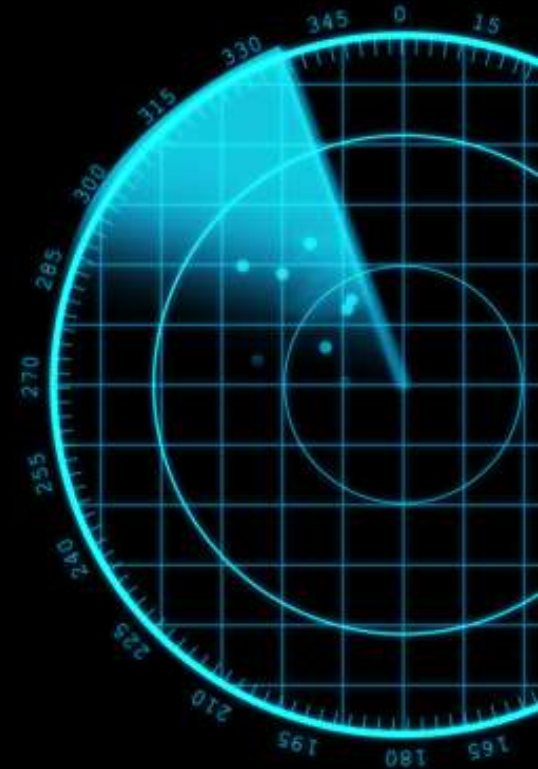
Different impacts by industry

The Covid-19 crisis affected all production chains, but both the impact and the recovery occurred at different levels for each industry.

The recovery curves of the companies for 13 segments, grouped according to the similarity of the activity and of the impact and recovery behavior, are presented below.

The recovery of the ability to create value

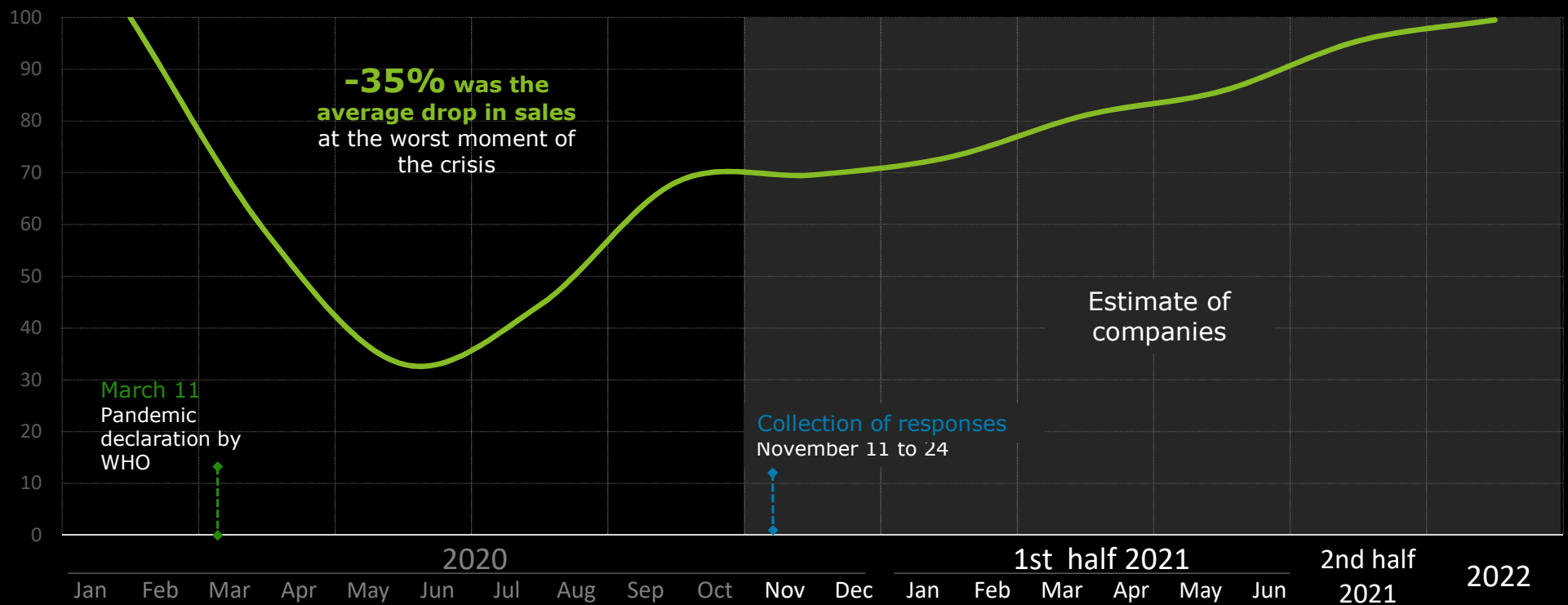
For some segments, the shift between the evolution of net margin and the evolution of sales and production is notable. This shows that the concern of the companies should be, more than resuming sales, to return to margins adequate to the sustainability and the ability to create business value.



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Sales recovery curve: SAMPLE OF 641 COMPANIES

Index of companies with significant drop in sales¹



Note 1: The index is inverted to illustrate the "recovery curve" of the participating companies. The index is made up of the percentage distributed over the period according to the responses of the worst period and return to the pre-crisis sales level.

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Results of the “worst moment” of the crisis

Table of the average drop rate of the worst moment of the crisis in relation to the pre-crisis level:

| Industries ¹ | Sales | Production | Net margin |
|--|--------|------------|------------|
| Agriculture, food and beverages | -16.5% | -16.0% | -18.0% |
| Financial services | -24.3% | -21.1% | -20.4% |
| Services to companies | -33.7% | -30.2% | -31.9% |
| IT and Telecom | -31.3% | -26.3% | -24.3% |
| Electronics, clothes, shoes, perfumery | -42.6% | -42.9% | -36.7% |
| Trade (retail and wholesale) | -35.3% | -32.8% | -24.7% |

Smallest drops

Biggest drops

Note 1: The results represent only the sample of this survey.

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Results of the “worst moment” of the crisis

Table of the average drop rate of the worst moment of the crisis in relation to the pre-crisis level:

| Industries ¹ | Sales | Production | Net margin |
|--|--------|------------|------------|
| Construction and transportation services | -37.0% | -28.9% | -30.5% |
| Steel, machinery and equipment | -38.3% | -36.1% | -33.2% |
| Energy, gas, sanitation, and utilities | -22.7% | -20.4% | -22.7% |
| Chemical and petrochemical | -31.0% | -33.9% | -28.9% |
| Tourism, hospitality, leisure and education services | -54.2% | -51.1% | -47.1% |
| Health and pharmaceutical services | -34.7% | -32.2% | -27.4% |
| Vehicles and auto parts | -63.3% | -62.4% | -57.8% |

Smallest drops

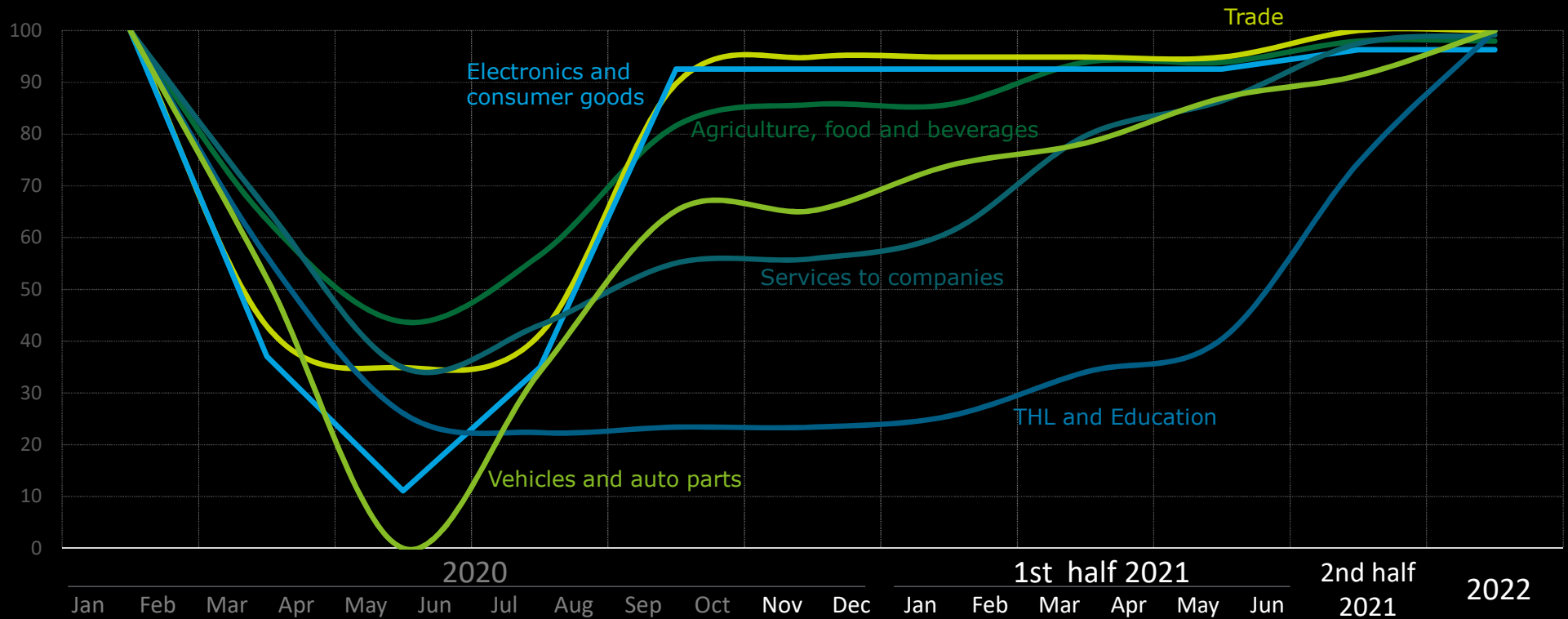
Biggest drops

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Sales recovery curve: FEATURED SECTORS

Index of companies with significant drop in sales¹



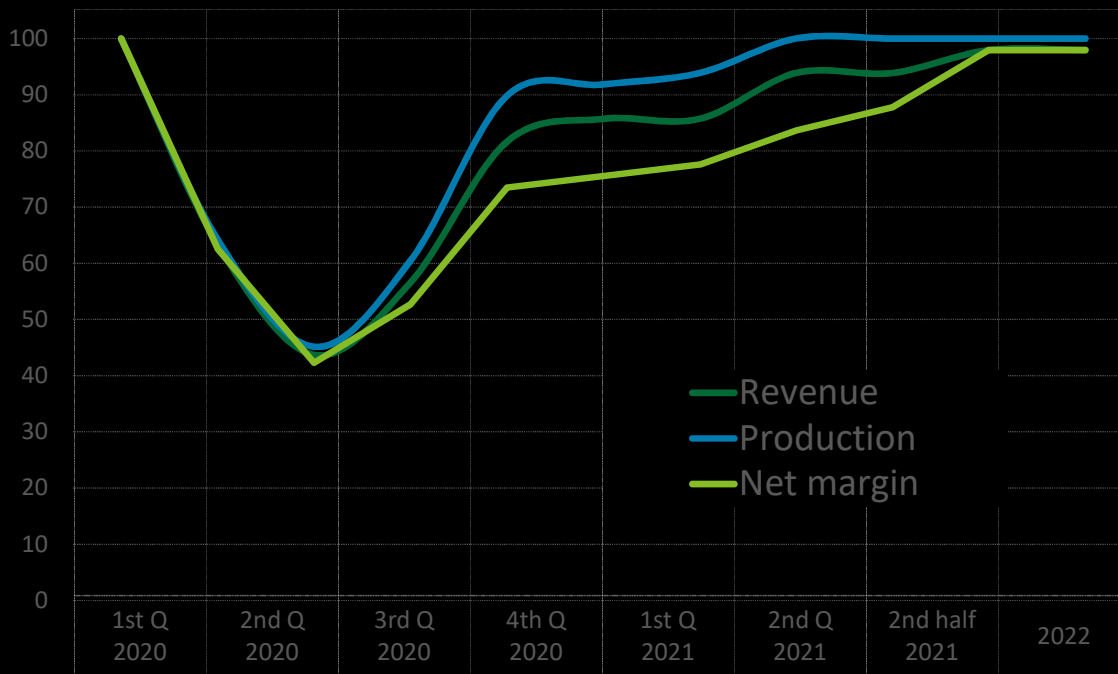
Note 1: The index is inverted to illustrate the "recovery curve" of the participating companies. The index is made up of the percentage distributed over the period according to the responses of the worst period and return to the pre-crisis sales level.

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Recovery curves by industry

Agriculture, food and beverages

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-16.5% Drop in sales
-16.0% Drop in production
-18.0% Drop in margin

* Average responses for the segment.

Sample of 50 companies.
 The results represent only the sample of this survey.

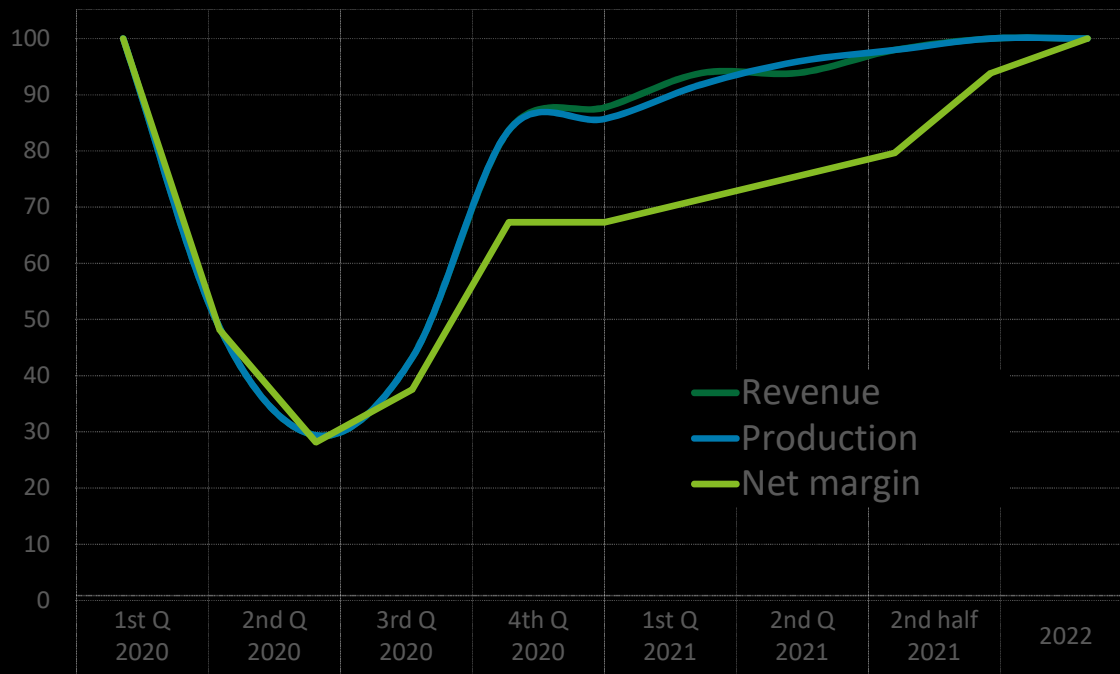
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Recovery curves by industry

Financial services

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-24.3% Drop in sales
-21.1% Drop in production
-20.4% Drop in margin

* Average responses for the segment.

Sample of 52 companies.
 The results represent only the sample of this survey.

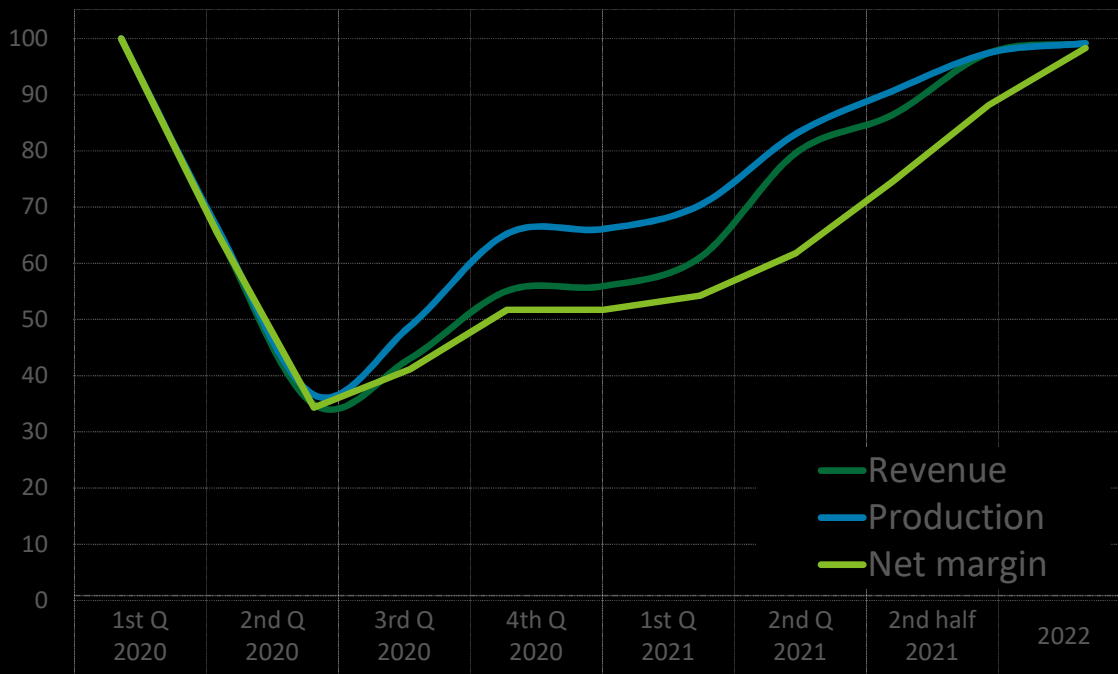
Note 1: The index is inverted to illustrate the "recovery curve" of the participating companies. The index is made up of the percentage distributed over the period according to the responses of the worst period and return to the pre-crisis sales level.

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Recovery curves by industry

Services to companies

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-33.7% Drop in sales **-30.2%** Drop in production **-31.9%** Drop in margin

* Average responses for the segment.

Sample of 118 companies.
The results represent only the sample of this survey.

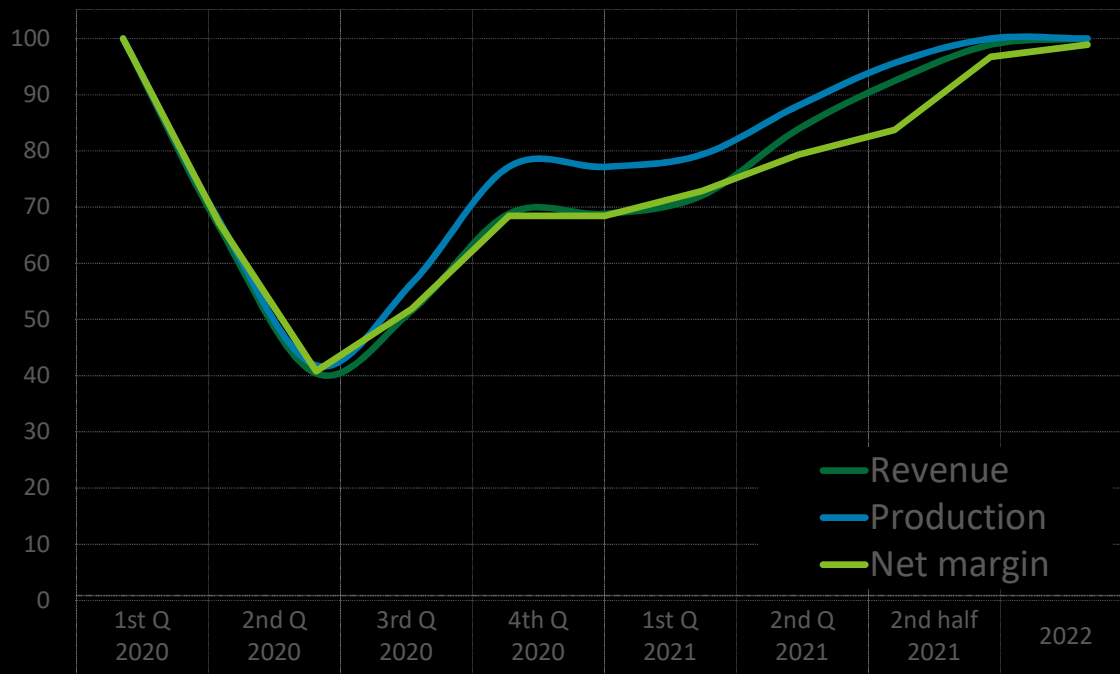
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Recovery curves by industry

IT and Telecom

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-31.3% Drop in sales **-26.3%** Drop in production **-24.3%** Drop in margin

* Average responses for the segment.

Sample of 92 companies.
The results represent only the sample of this survey.

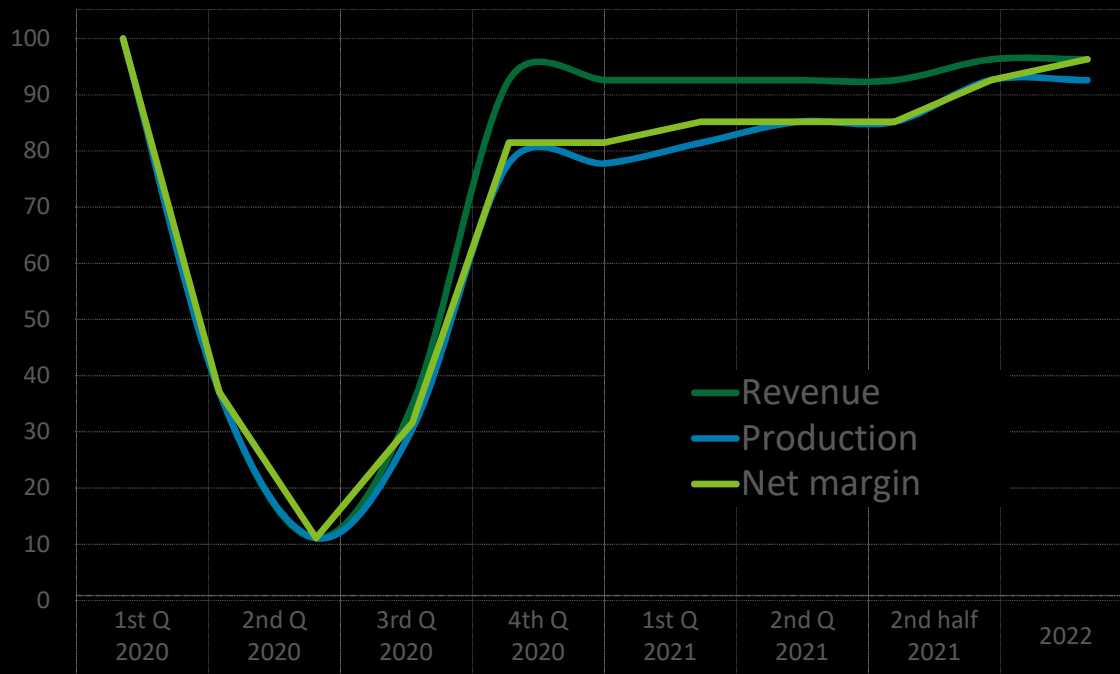
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Recovery curves by industry

Electronics, clothes, shoes, perfumery

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-42.6% Drop in sales **-42.9%** Drop in production **-36.7%** Drop in margin

* Average responses for the segment.

Sample of 27 companies.
The results represent only the sample of this survey.

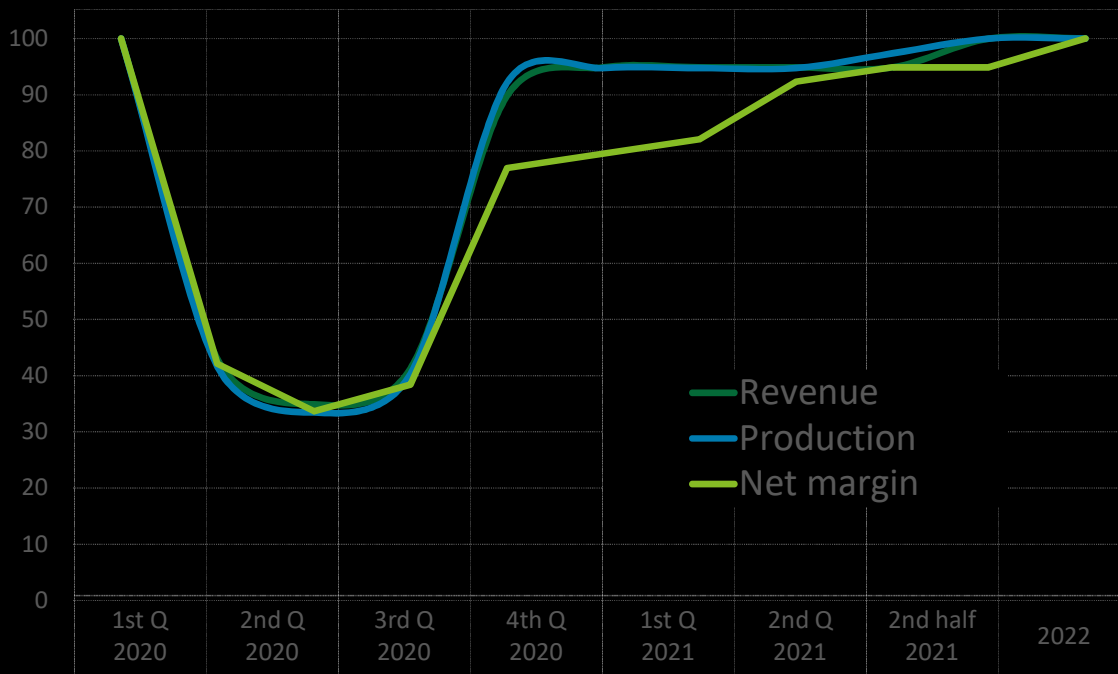
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Recovery curves by industry

Trade (retail and wholesale)

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-35.3% Drop in sales
-32.8% Drop in production
-24.7% Drop in margin

* Average responses for the segment.

Sample of 39 companies.
 The results represent only the sample of this survey.

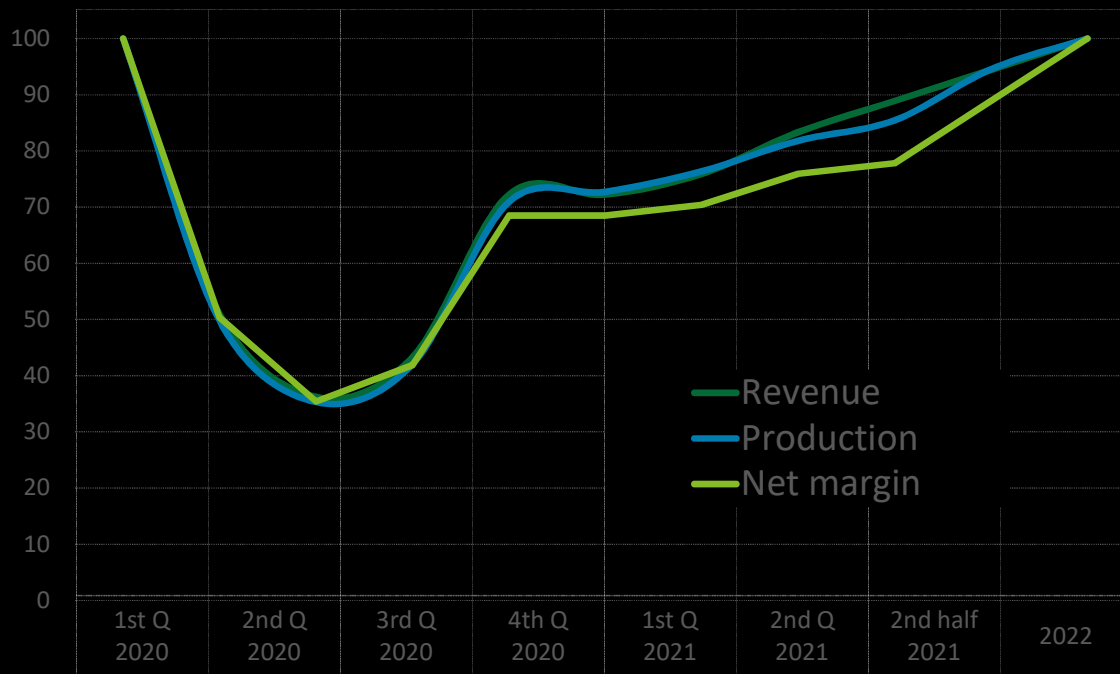
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Recovery curves by industry

Construction and transportation services

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-37.0% Drop in sales **-28.9%** Drop in production **-30.5%** Drop in margin

* Average responses for the segment.

Sample of 54 companies.
The results represent only the sample of this survey.

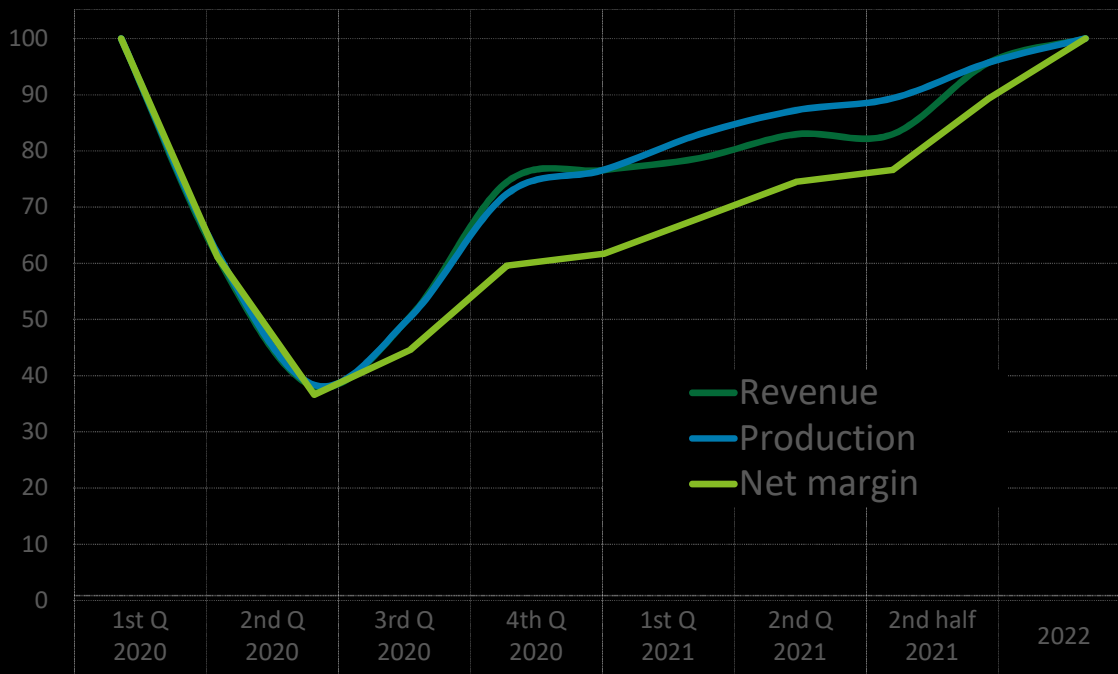
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Recovery curves by industry

Steel, machinery and equipment

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-38.3% Drop in sales **-36.1%** Drop in production **-33.2%** Drop in margin

* Average responses for the segment.

Sample of 47 companies.
The results represent only the sample of this survey.

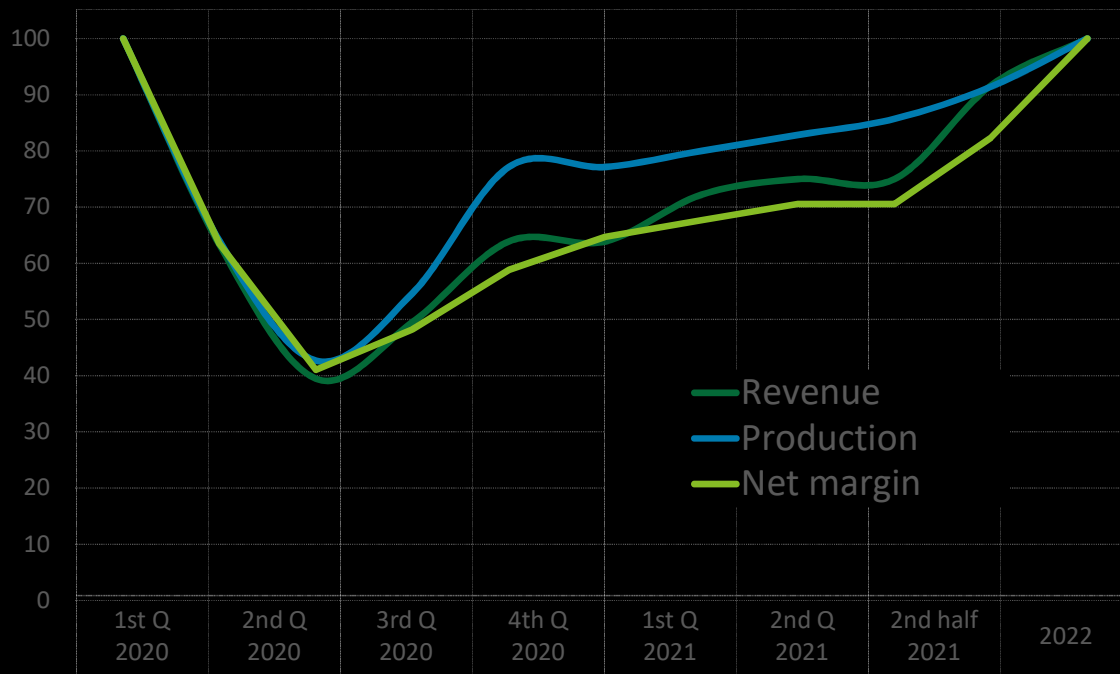
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Recovery curves by industry

Energy, gas, sanitation, and utilities

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-22.7% Drop in sales **-20.4%** Drop in production **-22.7%** Drop in margin

* Average responses for the segment.

Sample of 36 companies.
The results represent only the sample of this survey.

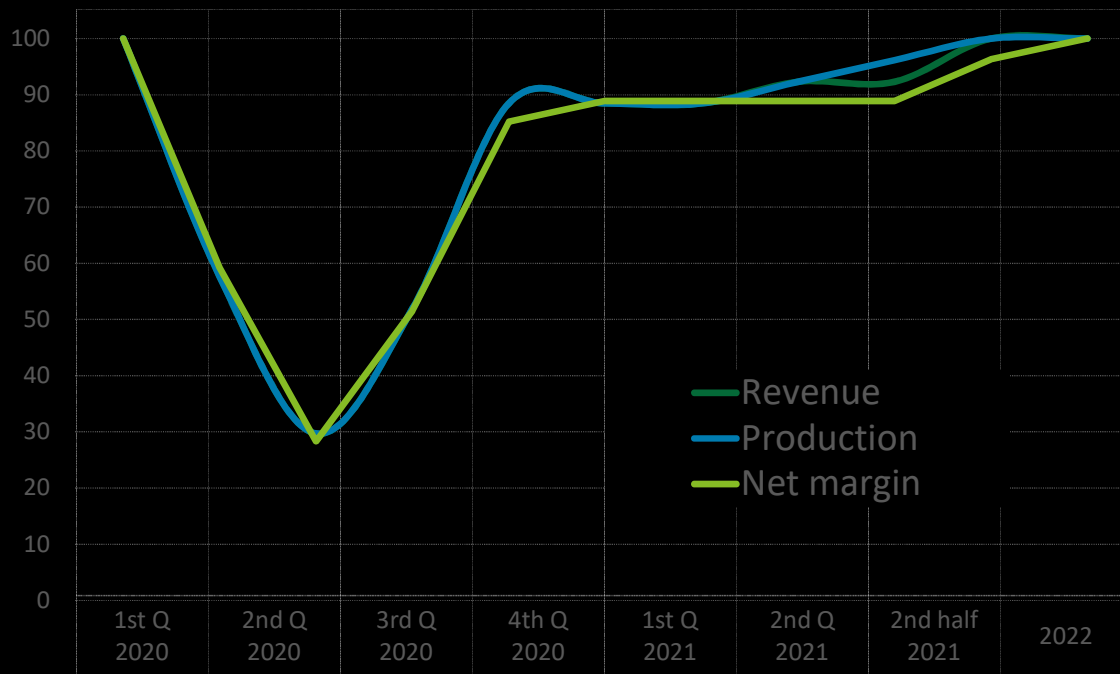
Note 1: The index is inverted to illustrate the "recovery curve" of the participating companies. The index is made up of the percentage distributed over the period according to the responses of the worst period and return to the pre-crisis sales level.

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Recovery curves by industry

Chemical and petrochemical

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-31.0% Drop in sales
-33.9% Drop in production
-28.9% Drop in margin

* Average responses for the segment.

Sample of 27 companies.
 The results represent only the sample of this survey.

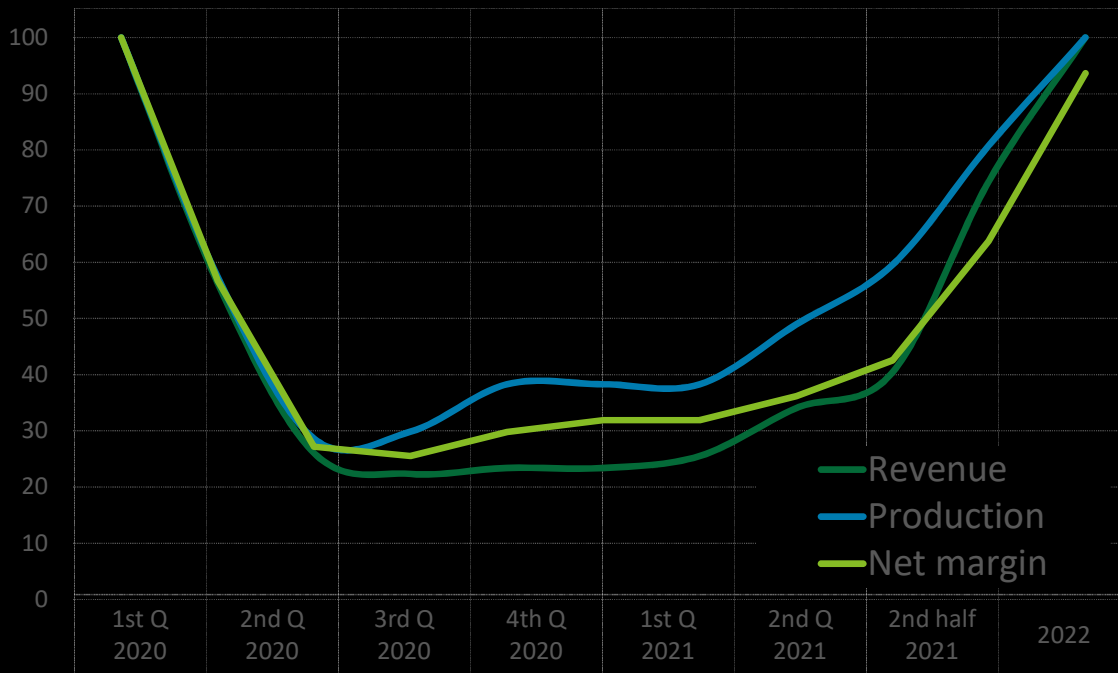
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Recovery curves by industry

Tourism, hospitality, leisure and education services

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-54.2% Drop in sales
-51.1% Drop in production
-47.1% Drop in margin

* Average responses for the segment.

Sample of 47 companies.
 The results represent only the sample of this survey.

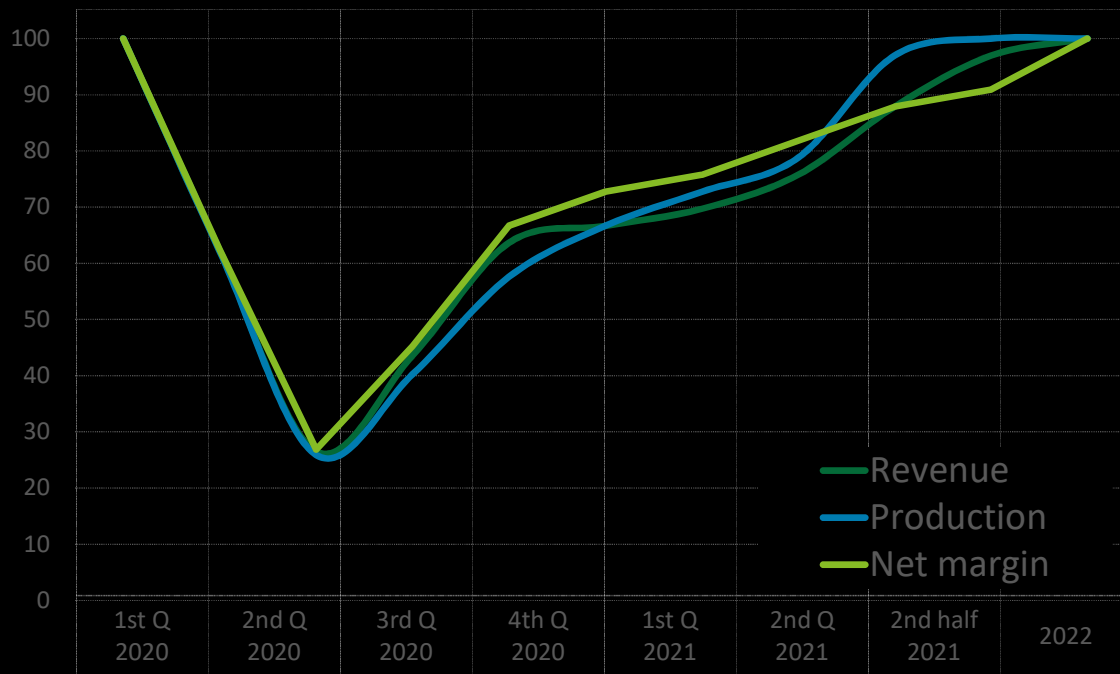
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Recovery curves by industry

Health and pharmaceutical services

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-34.7% Drop in sales **-32.2%** Drop in production **-27.4%** Drop in margin

* Average responses for the segment.

Sample of 33 companies.
The results represent only the sample of this survey.

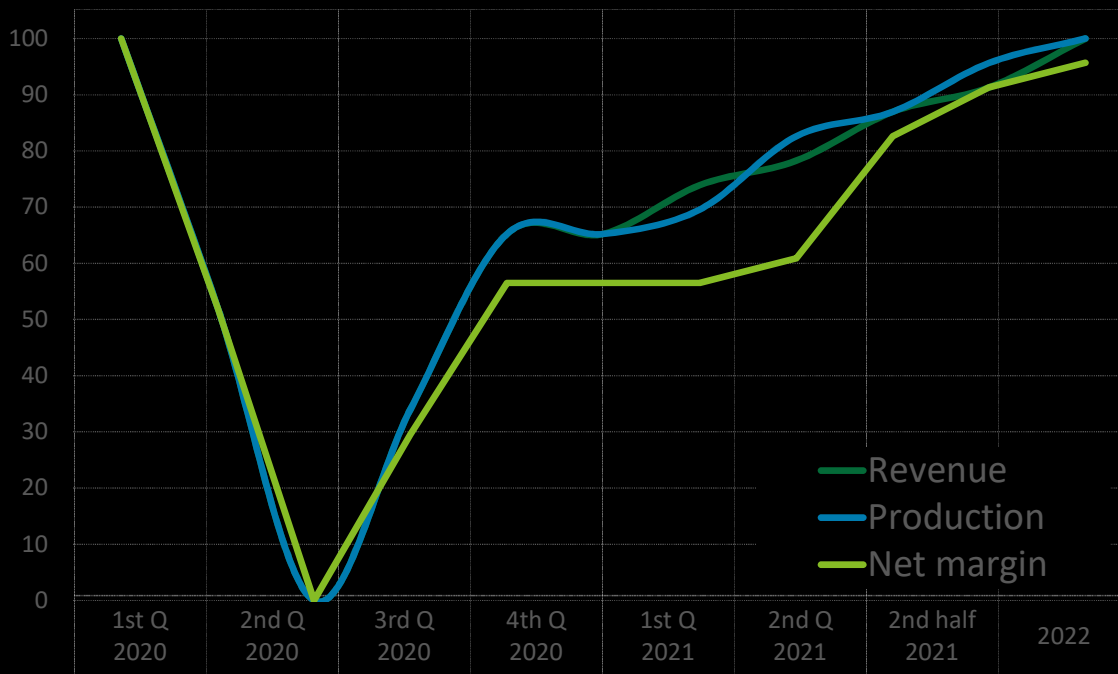
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Recovery curves by industry

Vehicles and auto parts

Index of companies with significant drop in sales¹



At the worst moment of the crisis...

-63.3% Drop in sales **-62.4%** Drop in production **-57.8%** Drop in margin

* Average responses for the segment.

Sample of 23 companies. The results represent only the sample of this survey.

Note 1: The index is inverted to illustrate the "recovery curve" of the participating companies. The index is made up of the percentage distributed over the period according to the responses of the worst period and return to the pre-crisis sales level.

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Business thrive

In addition to recovering, the company must create opportunities to generate value to support business in the medium and long terms

- Due to the isolation imposed by the Covid-19 pandemic, there was a demand for companies to widely adopt online sales channels and remote work models to promote the continuity of their business.
- This reality led to the need to expand investments in technology to support these transitions and, consequently, in digital security to ensure data management compliance.
- In this scenario of necessary transformations, training people to drive these changes is a priority for most companies.
- Faced with a context of macroeconomic and market uncertainties, there is a moderate appetite for companies to invest in production and organic growth in 2021. In this scenario, 29 companies have demonstrated their intention to hold an IPO in 2021, while issuing debt securities is an option for 49 organizations.



Brazil's Agenda 2021 Business transformation



40%

Conducted online sales after the beginning of the Covid-19 crisis

Sales through online channels during the crisis:



67% Increased



21% Maintained



12% Decreased



Investments in online channels

26%



We increased, but not because of the crisis

35%



We increased **because of the crisis**

35%



We maintained the level predicted before the crisis

4%



We decreased the level predicted before the crisis

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New ways of working

Since the beginning of the Covid-19 crisis...

For

85%



Migrate at least 1/3 of the professionals to **remote work**

of the companies

And more than 1/2 of the companies migrated 70% of their professionals

Forecast after the Covid-19 crisis

for companies:

43%

Will reduce the number of remote work professionals

30%

Will maintain the number of remote work professionals

17%

Will increase the number of remote work professionals

10%

Don't know how to evaluate at the moment

Among the 47% that will increase or maintain remote work teams...



45%

Do not foresee a reduction in the physical work space



42%

Will reduce physical work space due to idleness



13%

Will reduce physical work space, but not due to remote work






36%

The frequency of remote work days will also increase

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Infrastructure and technology

Level of investments in technology in 2020

| | Infrastructure Cloud, equipment, network and telecom, IT services | Solutions Systems, tools, management software | Data management Big data, analytics, artificial intelligence | Digital security Cyber security | Digital customer service channels |
|---|---|---|--|---|--|
|  We increased, but not because of the crisis | 24% | 29% | 28% | 26% | 14% |
|  We increased because of the crisis | 27% | 19% | 16% | 21% | 23% |
|  We maintained the level foreseen for the year | 41% | 41% | 48% | 48% | 55% |

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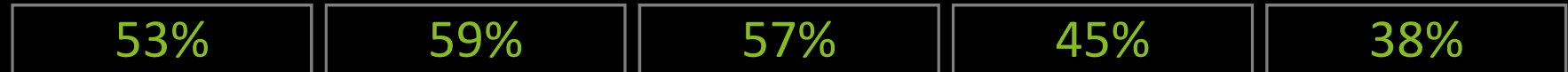
Infrastructure and technology

Investments in technology for 2021

Will make:



Will increase investments in 2021



Will maintain the same level of investments in 2021



* The percentage of companies that will decrease investments is the difference between the total that will make and the sum of those that will increase or maintain

Brazil's Agenda 2021 Cyber Security


Investments in digital security

56% Will increase investments

38% Will maintain investments

Assessment of the company's digital information security (in %)



 There are guidelines or training in order to inform and prepare all professionals about digital security precautions

44% Yes, constantly

26% Yes, only for some high-risk areas

15% Yes, for IT professionals only

15% None

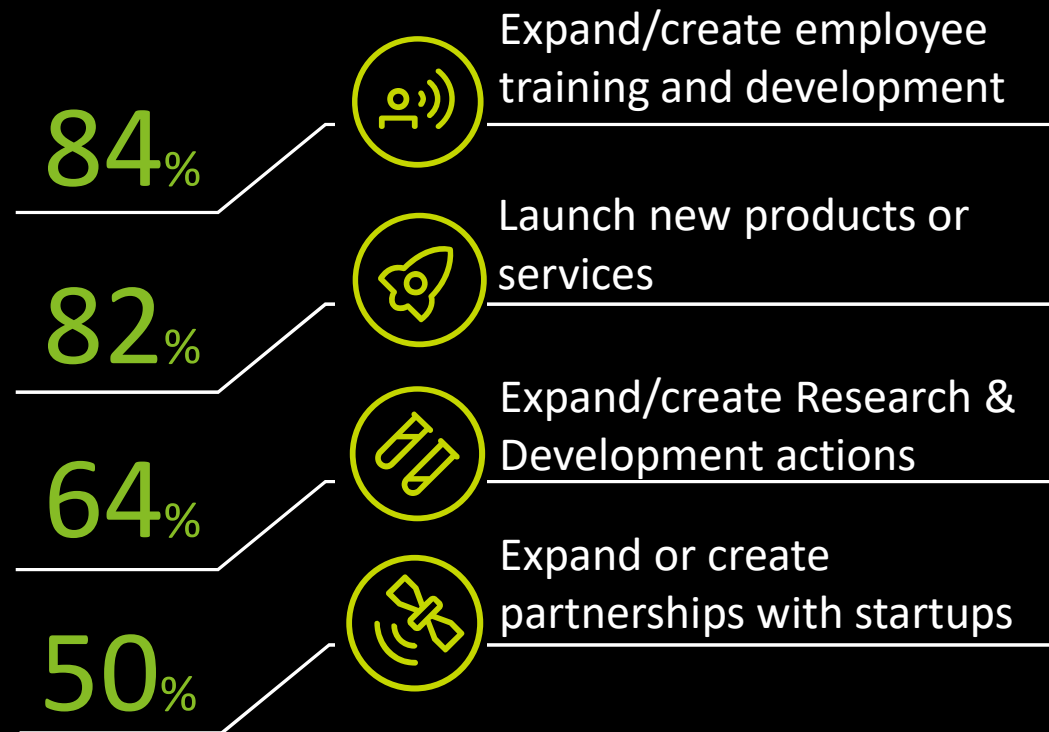
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Investments and strategies

Priority investments

To track **digital and business transformations**, executives chose to prioritize investment in people qualification, innovation and research and development

We will adopt in 2021:

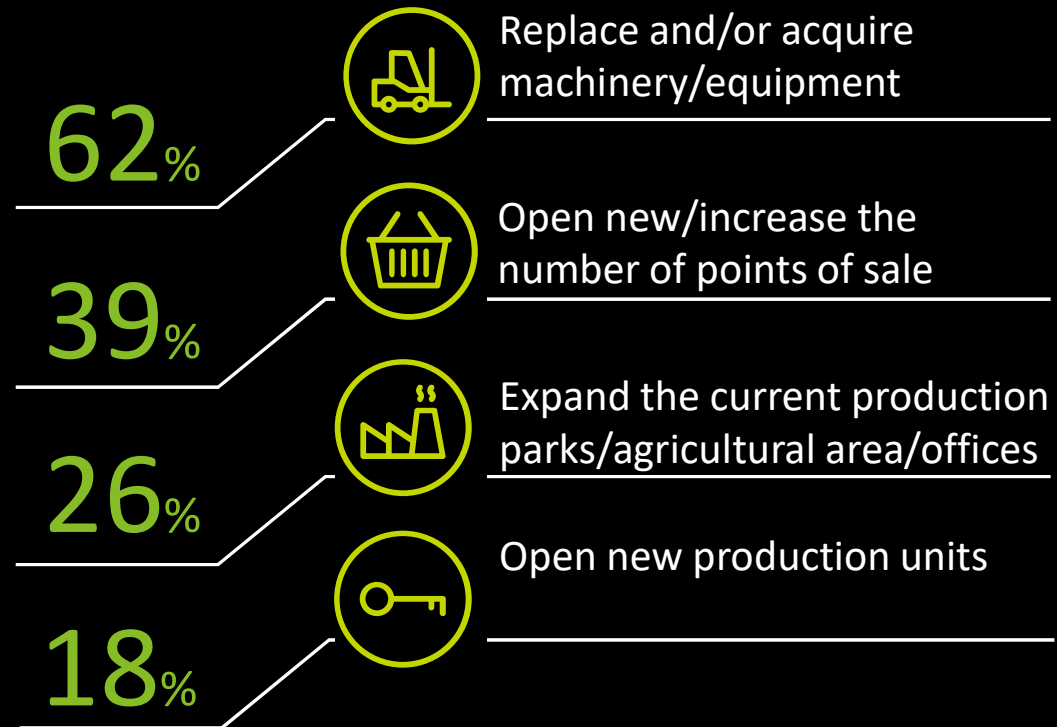


Brazil's Agenda 2021 Investments and strategies

Business expansion

There is a **moderate appetite** of the companies for investments in production in 2021, especially in the opening and expansion of points of sale and production parks.

We will adopt in 2021:



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Investments and strategies

The challenges to resume investment projects in 2021

“Getting it off the ground in 2021”

Until recently, cost and bureaucracy were the biggest challenges for raising funds. Currently, the **macroeconomic volatility** (exchange rate, inflation and interest), **unpredictability in revenue generation** and **operational risks** are the biggest obstacles to the feasibility of new expansion projects.

- 1st Assessment of market volatility risks, such as: exchange rate, inflation and interest
- 2nd Unpredictability of revenue/sales generation potential
- 3rd Unpredictability of operational risks that impact the project beyond revenues
- 4th Lack of skilled labor fundamental to the project
- 5th Funding cost to finance the project
- 6th High bureaucracy in fundraising processes
- 7th Regulatory failure or legal insecurity for the project

8th) Difficulty in creating budget/project expenses;
9th) Need to meet ESG requirements.

* Companies ordered the 9 challenges to make investment projects feasible, with the 1st position being the biggest challenge for 2021.

The result is the sample mean.

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Investments and strategies

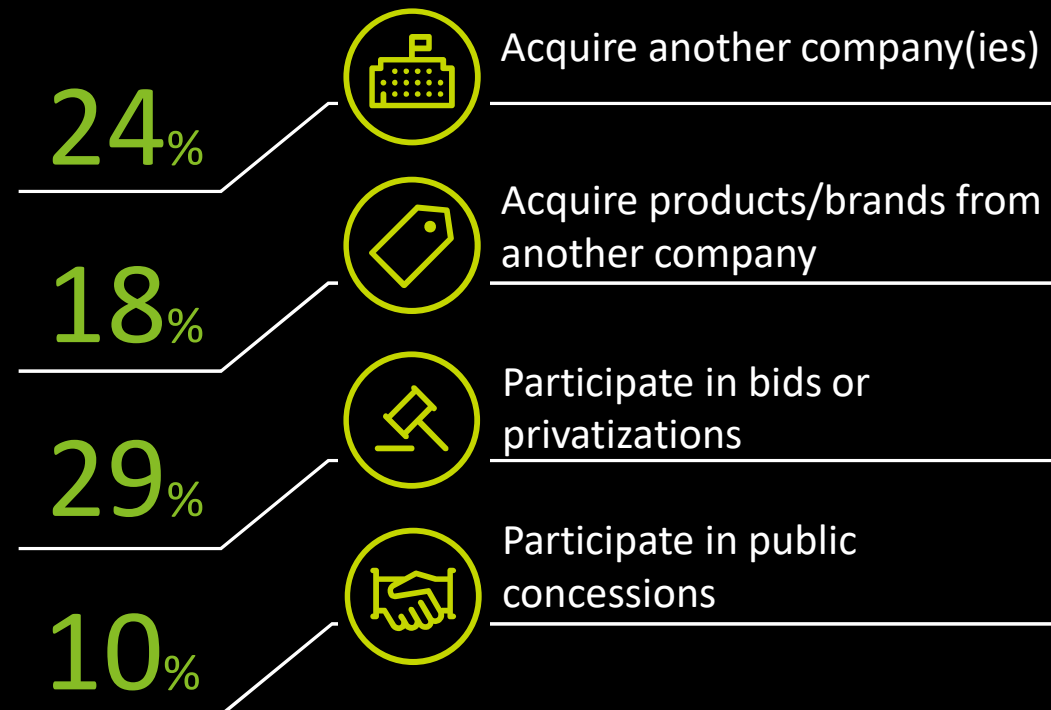
Strategic actions

A considerable number of companies show a willingness for **inorganic expansion** in 2021, such as acquisitions of other organizations, brands or products.

29 Companies intend to hold an IPO in 2021

49 Companies will issue debt securities in 2021

We will adopt in 2021:



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Investments and strategies

Impact on liquidity



General indebtedness

26% Increased
43% Maintained
18% Not applicable



Customer default

35% Increased
43% Maintained
14% Not applicable



Fundraising level

28% Increased
33% Maintained
22% Not applicable



Foreign currency indebtedness

8% Increased
22% Maintained
62% Not applicable



Debt renegotiation

With customers:

43% Increased
35% Maintained
21% Not applicable

With suppliers:

29% Increased
34% Maintained
31% Not applicable

Although more than a quarter of companies recorded an increase in general indebtedness throughout 2020, 43% managed to maintain the level of indebtedness with quick responses to the crisis. Among these responses is the renegotiation of debts with customers, which increased for 43% of the organizations surveyed.

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Legacy for the business

Digital transformation remains among the priorities to stimulate business and society in 2021


- The survey indicates a great room for progress in the adoption of structured and formalized practices of environmental, social and corporate (ESG) governance by companies, such as social impact management indicators and sustainability reports.
- Adapting to the Brazilian Data Protection General Law is a challenge for companies, but it should be on the agenda of organizations as a strong priority next year.
- The priority demands for the resumption of business, according to executives, are fostering job creation, expansion of credit supply, support for micro and small enterprises, investment in education, and definition of the Tax Reform.



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Environmental, social and corporate governance (ESG) on the agenda

Environmental, social and corporate governance (ESG) is still a challenge, but it should be on the companies' radar

 Social inclusion policies


12% intend to adopt in 2021

28% do not adopt, and have no prediction to adopt

 Sustainability reports


14% intend to adopt in 2021

47% do not adopt, and have no prediction to adopt

 Environmental impact management indicators

14% intend to adopt in 2021

40% do not adopt, and have no prediction to adopt

 Sustainability indicators for strategic leadership decisions

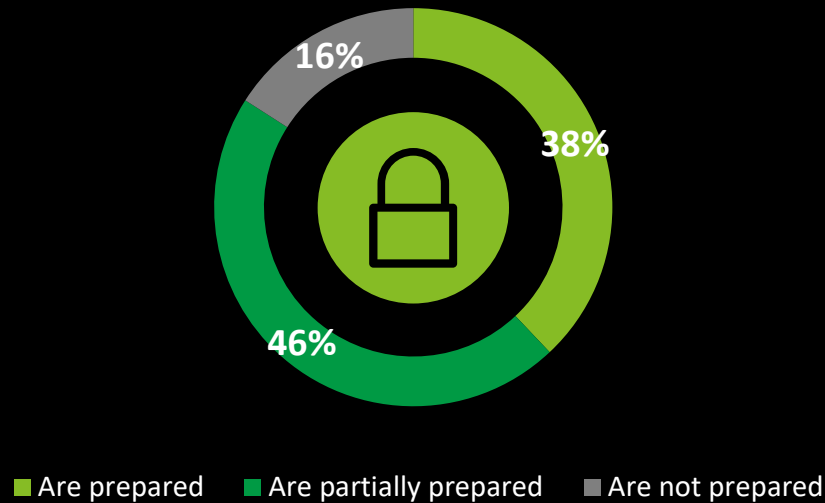
16% intend to adopt

42% do not adopt, and have no prediction to adopt

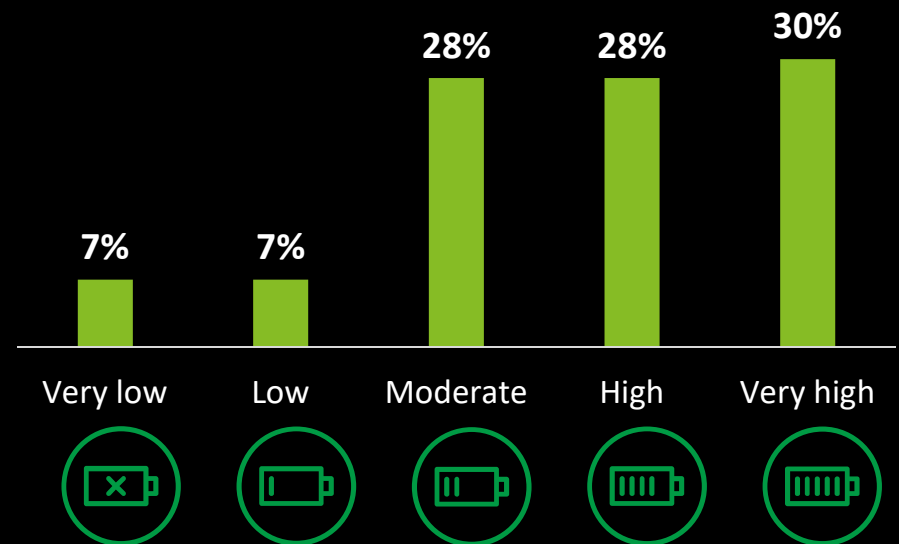
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Brazilian Data Protection General Law (LGPD) and the era of data governance

Preparation to meet the requirements of the LGPD at the time the law entered into force



Priority level that the LGPD will have for the company in 2021



Brazil's 2021 Agenda

Priorities for the economic scenario in 2021

The **top 4 priorities** to stimulate **economic activity** in 2021:



81%

Fostering job creation



64%

Maintaining inflation below
4% p.a.



63%

Government investments in
infrastructure (railways, highways,
waterways and ports)



46%

Stimulating the supply of
credit to the population

Other priorities:

34% Holding concessions and auctions

28% Review and expansion of foreign
trade partnerships

25% Review of interest policy

20% Review of exchange policy

16% Investments in telecommunications

10% Investments in highways

9% Review of electric power policy

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Priorities for the economic scenario in 2021

The **top 4 priorities** to stimulate **executive activity** in 2021:



Expand the supply of credit to companies



Expand/improve support for micro and small enterprises



Encourage digital transformation adaptation



Improve business opening and closing processes

Other priorities:

44% Expand tax incentives for R&D

27% Improve and expand PPPs

19% Improve customs clearance processes

19% Take measures to increase the number of companies in the capital market

19% Standardize regulations and specifications for national products with those for imported products

17% Facilitate and expand the participation of companies in public bids

10% Review the national patent registration policy

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Priorities for the economic scenario in 2021

The **top 4 priorities** for **social advances** in 2021 should be:



More investment in education



More investment in health



More investment in public security



More investment in basic sanitation

Other priorities:

32% Science and technology

24% Environmental protection and/or reduction of environmental impact

20% Housing

18% Internet access for low demographic density regions

15% Inclusion policy (racial, gender, people with disabilities and LGBTQIA+)

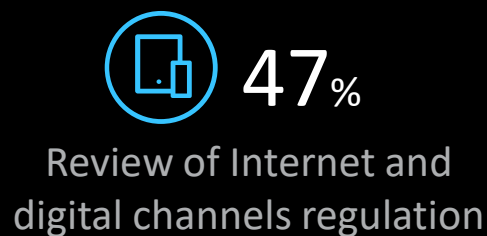
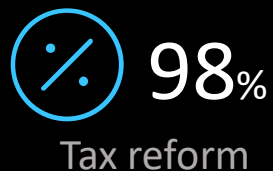
12% Public transport

9% Culture

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Priorities for the economic scenario in 2021

The **top 4 priorities** in **laws and regulations** for 2021:



Other priorities:

42% Review of environmental legislation

36% Review of international treaties to which Brazil is a signatory

29% Review of pricing policy for oil products

13% Assessment of the European ecological pact



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